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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 1919

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CONTENTS	PAGE
INTERNATIONAL AFFAIRS	
EEC Role in Changed World Economy Discussed (Egon Kemenas; KULGAZDASAG, May 79) .....	1
Briefs	
Czech Combines to USSR .....	12
BULGARIA	
Report on Economic Development During the First Quarter of 1979 (STATISTICHESKI IZVESTIYA, May 79) .....	13
CZECHOSLOVAKIA	
May 79 Economic Results Reviewed (HOSPODARSKE NOVINY, 25 Jun 79) .....	22
New Speed Limits in CSSR Described (PRAVDA, 11 Jul 79) .....	27
Profitability in Agriculture Varies Among Cooperatives (F. Crkva; ZEMEDEL'SKE NOVINY, 14 Jun 79) .....	28
Positive, Negative Consequences of Economic Experiment Viewed (Various sources, various dates) .....	32
New Elements in Planning, by Vilem Strnad	
Some Problems Noted, by Eva Jindrova	
Slovak Industries Give Accounting, by Jan Bariak, Michal Baranik	
Good Results at Plant Level	



CONTENTS (Continued)	Page
New Agricultural Bulk Transport Container (TECHNICKY TYDENIK, 1 May 79) .....	48
HUNGARY	
Csikos-Nagy Discusses 1980 Price Adjustments (Beia Csikos-Nagy; FIGYELO, 20 Jun 79) .....	50
Poor Quality, Shortage of Consumer Goods Discussed (NEPSZAVA, 17 Jun 79) .....	58
Energy Wasting Practices Scored (Laszlo Horvath; ESTI HIRLAP, 28 Jun 79) .....	62
State Secretary Discusses Deterioration in Stockpile Management (Adam Juhasz Interview; MAGYAR NEMZET, 19 Jun 79) .....	65
POLAND	
Waning Enthusiasm for New Housing Program (Tadeusz Bienias; MATERIALY BUDOWLANE, May 79) .....	69
Briefs Szczecin Area Water Shortage	77
ROMANIA	
Role of New Agroindustrial Councils Defined (Sabin Nica-Sirbesti; REVISTA ECONOMICA, 16 Mar 79) ...	78
Transport Problems in Railroad Network Pinpointed (A. R. Georgescu; REVISTA ECONOMICA, 16 Mar 79) .....	83

EEC ROLE IN CHANGED WORLD ECONOMY DISCUSSED

Budapest KULGAZDASAG in Hungarian No 5, May 79 pp 25-33

[Article by Egon Kemenas: "The EEC in a Changed World Economy"]

[Text] The economic environment of the world has changed, and with it the validity of economic policy aims and means, since the establishment of the EEC 20 years ago. The free migration of workers has failed to put an end to unemployment, the opportunity of free capital movement is better exploited by the multinational corporations than by the enterprises of the EEC member countries. The implementation of monetary integration has just begun. The system of EEC foreign relations is distorted: It has signed agreements with various non-European countries and regions (including China) but not with the other half of Europe: the CEMA countries. The two halves of Europe, however, may complement each other. Cooperation with the CEMA would provide greater opportunity for development in the Common Market as compared to its relations limited to the United States and Japan. An agreement with CEMA would provide an important element for the Common Market to normalize its relations with its environment. The most obvious solution (even according to Western experts) is a general agreement between CEMA and the Common Market that would implement the principle of the most favored nation and would deal with methods of payment while details would be left to bilateral agreements between the individual member countries.

It is difficult to select the criteria of evaluation in the case of such a complex phenomenon as the Common Market. Here, only two of the studies\* are mentioned: 1) the comparison of the declared aims of the Common Market with the actual results; 2) evaluation of the validity of aims and the suitability of the means for their implementation in the midst of a world economic environment that has changed in its foundations since the Rome agreement that set up the Common Market 20 years ago.

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\* Based on a lecture delivered at the Colloquium of the French Society of Political Economy

## Experience

In a book published on the 10th anniversary of the Common Market, Prof Pierre Maillet, one of the EEC officials at that time, summed up the aim of integration as follows: One of the basic principles for the creation of the EEC was that the establishment of a largely expanded market might become a powerful incentive for economic efficiency if it makes it possible for plants and production series to reach sufficient dimensions to approximate the minimal production costs.<sup>1</sup> The means to achieve this wide market are: the abolition of customs borders among the member countries, and measures helping the free flow of products, capital and labor.

Today, however, it seems that this expanded market has a greater attraction toward economic forces outside the EEC than toward the member countries.

The free movement of labor could not assure full employment, the great promise of the Common Market to the working classes of the member countries.

By the end of the seventies the number of unemployed has remained a steady 5 to 6 million. At the same time, the presence of guest-workers has created social and economic problems.

From the point of view of the member countries, the experience gained in the area of free capital movement cannot be judged as unequivocally favorable either. The internationalization of industrial activity is undeniable: Sales by corporations with foreign interests amounted to 33 percent of the total industrial sales in Belgium, 25 percent in the Federal Republic of Germany, 19 percent in the Netherlands, 14 percent in England.<sup>2</sup> Nevertheless, the multinational corporations operating on the territory of the Common Market enjoy the advantages of free capital movement. In the case of France, for example, 60 percent (thus the majority) of foreign interests in French corporations is owned by Common Market outsiders.<sup>3</sup> The great role of the corporations owned by Common Market outsiders may also be observed in the expansion of the Common market. The subsidiaries of some American corporations obtain additional profit from East-West trade. Two-thirds of the industrial joint ventures of CEMA enterprises and American corporations are handled by the latter's subsidiaries operating within the Common Market.<sup>4</sup>

It may be supposed that there is a certain connection between the characteristics of capital movement and in the backwardness of certain areas in the structural development of the Common Market. As Pierre Maillet pointed out in his study quoted above: "The movement of goods within the community has been substantially expanded. However, this increase in product exchange has manifested itself primarily in semifinished products and consumer goods. On the other hand, it can be seen that the national markets have frequently remained closed to investment goods and, within them, especially to equipment using the most developed technology."<sup>5</sup> Thus, it may be concluded that the Common Market controls the present but not the future, namely, the opportunities involved in the more developed technology, since these are exploited most by forces that are outside the EEC.

This is also indicated by the fact that the hopes for the autonomous development of the more developed technology within the framework of the Common Market have only been partially fulfilled. (Here, it is sufficient to mention the fate of the Common Market computer project.) At the same time, the conservation of the undeveloped elements of the economic structure can be observed that contradicts the economic rationale. The artificial support given in the form of subsidies to the undeveloped elements of the structure is obviously a brake on development and hampers the more rational and profitable participation of the Common Market in the international division of labor.

Monetary integration has also suffered considerable delays. It was 10 years ago that Jean Denizet, the French monetary expert, wrote: "Today, in the given phase of integration, the most spectacular, most decisive and, maybe, the easiest step forward, could be made from the monetary point of view."<sup>6</sup> Speaking of the monetary uncertainties and difficulties of that time, he stressed: "The only way to get rid of the looming difficulties is to create a strong negotiating position in the monetary sphere."

This can only be achieved with a European currency enjoying a circulation and demand among the central banks and private people that would be similar to that of today's dollar. It is only in this way that we can fight against the hegemony of the dollar, which--in the long run--leads to chaotic rebellions or the subjugation of the non-American part of the Western economy."

Ten years have passed since Jean Denizet's statement and there has been hardly any progress in the monetary integration of the Common Market countries even though the Common Market summit meetings of July 1978 in Bremen, and March 1979 in Paris have brought it closer to reality. It should be noted, however, that the decision regarding the new monetary system was made more or less in a difficult situation and not of the EEC's free will. Using the concept of lost profit, I would like to call attention to those advantages that could have been achieved by the community through the establishment of its zone of monetary stability if this had been done 10 years ago, as an independent initiative of the EEC and not as a protective step demanded by the circumstances.

Since 1973, there have been radical changes in world economic processes. These changes have brought about new concentrations or polarizations in the distribution of economic factors among the various regions of the world. Basic elements of economic activity such as energy carriers, and other mineral raw materials, manpower, capital and monetary reserves, have been revalued and also regrouped. As regards time, these changes are secular and, thus, not cyclical in character. This interpretation also reveals the unchangeable nature of these changes. The developed capitalist countries have no other choice but to adjust to the new situation (without regard to their socioeconomic systems). This forced adaptation also requires the redefinition of their role in the international division of labor which is synonymous with the faster development of certain economic branches and with the slowing down or elimination of others.

At the same time, the power of the multinational corporations has reached such a point that they can increasingly influence real and financial processes on a global level. Their economic power measured by the size of the volume of trade frequently equals or even surpasses the gross national product of some countries.

The question arises: What is the value of the economic policy devices of the Common Market in a world economy that has undergone a radical change since the founding of the EEC 20 years ago?

From this point of view, the customs union (the idea of which had come up in the middle of the 10th century) as the basis of common economic policy is not sufficient any more to adapt to the present-day requirements of the world economy. Adaptation means action, while the customs union is substantially a defensive institution. In a crisis situation that had developed in the Western countries in 1974 and 1975, the mere idea of a customs union suggests protectionist measures. Protectionism is unanimously regarded by both Eastern and Western economists as the greatest danger threatening world development. It is not accidental that the dangerous consequences of protectionism are discussed in the economic literature of the socialist and Western countries under almost identical titles and drawing similar conclusions (namely, that it artificially preserves the outdated element of the structure and slows down the process of adaptation).<sup>7</sup> The observation is not a play of words that in a world economy in which all participants have been preparing for an opening, the Common Market intends to close the doors.

It does not seem at all certain that the customs union of the countries, serving as the general framework of economic policy toward the outside world, is an adequate means in a world economy in which forces acting beyond national borders play an increasingly larger role. Due to the complex nature of the multinational phenomenon, and since their capital relations and their transactions are too difficult to supervise, it is not simple to numerically evaluate their importance in the world economy. Thus, according to Professor Michalet, head of the research institute of the University of Paris-Nanterres that deals with the multinational corporations, these corporations handled 30 percent of world trade in 1971 (the socialist countries not included).<sup>8</sup> According to Henri Chambre's data relating to the midseventies, the share in world trade of the multinationals amounted to about 55 percent (socialist countries not included) while their share in industrial output was between 20 and 25 percent.<sup>9</sup>

The question arises: Could the legal- and customs-policy integration of the EEC countries provide an efficiency to their own enterprises that would match the efficiency of the multinational corporations? In the multinational corporations the selection of coherent financial (capital) integration and aims of business policy is done within their own organization while this requires long negotiations and bargaining in the Common Market countries. The oligopoly of the multinational corporations has already manifested its efficiency in operation, while the oligopoly of the countries united in the



community has not yet materialized. The multinationals control directly the real processes and, as owners, have control over the capital, while they penetrate the national borders with their investments. The countries united in the Common Market do not have direct control over the capital operating on their territories. They only make attempts at influencing capital movements and capital use by the indirect means of financial policy that have an imperfect effect on the real processes. Even in such a classical sphere of influence of the bourgeois state's economic power as the budget, the coordinating activity of the EEC state governments is far from being perfect.<sup>10</sup>

The multinational corporations also limit the financial sovereignty of the Common Market countries. They make liquidations and transfers without the knowledge and control of the government affected. Such activities run contrary to national and community financial policy aims.

Even if the EEC or the member countries were to be completely independent, from financial points of view, it would still not solve the problems involved in the desired development of the societies within their own framework. The material fate of human societies (globally, that of mankind) is decided on the level of the real processes of the economy and these processes cannot be controlled by financial policy alone.

Recently, the EEC Council in Brussels has paid special attention to the shaping of the community's political will from among the foreign economic policy devices of the Common Market. Some say that the creation of such a political will is a decisive factor for the Common Market in its participation in East-West relations.<sup>11</sup> It is also frequently heard that the economic integration of the member countries also means that the right of signing a contract with third countries is transferred from the national to the community institutions.

Neither theoretical considerations nor practical observations prove, however, that there would be a direct and close interrelationship between the development of community political will, on the one hand, and between the deepening of the process of integration and the expansion of the Common Market foreign economic relations, on the other. Here, the difficulty lies in the fact that a unified political will should be developed with the consent of the various nations while the concept is linked historically with political parties and national states. Here, the phenomenon comes into the foreground that, according to the experience gained so far, such a political will would limit the foreign economic relations of the EEC and not promote them. According to experience, the most dynamic sector of relations between the CEMA and EEC countries is interenterprise industrial cooperation. Thus, in an area, that does not fall under community control, while in trade (the contractual regulation of which is exclusively within the power of the community authority) the various limitations hamper more forceful development. It is feared that the expansion of the sphere of competence of the common political will would only slow down the expansion of the other areas of foreign economic relations. It seems that helping the development of the common political will is rather a selfish aim and does not serve the expansion of the Common Market's relations. It is quite obvious that the development of such a political will

cannot be accomplished to the detriment of the realistic and desirable expansion of the real processes: The integration of legislation cannot neutralize the advantages of foreign economic operations based on economic integration.

It is another question that even in the legal realization of the development of common political will, its sphere of influence would remain limited if we take into consideration the international environment. The assertion of the community political will would be limited by other outside factors. How could the EEC enforce its political will on multinational corporations operating on its territory or in the multinationals are located? And, finally, would not a formally unlimited community political will conflict with the principle that was defined specifically by the economic forums in the Common Market countries as: "each of the EEC countries should be able to select the type of its integration into the world economy."<sup>12</sup>

The only criterion for the evaluation of the development of political will can only be how it can serve the interests of the member countries on the level of economic realities.

### Perspectives

Concerning the international environment of the EEC, I wish to deal only with one segment of this environment: CEMA. This seems to be all the more warranted because at this moment<sup>13</sup> a whole series of agreements ties the Common Market to other countries, except the CEMA countries. The West European economic unit has already signed agreements with several non-European countries (including the United States, Canada, Japan and, in the past year, also with China) but not with the CEMA countries (disregarding the cooperation within GATT).

It is frequently argued that the cause of this caution is that there are two different economic-social systems in existence in the two halves of Europe.

As to the difference in the legal systems within this framework, attention may be called to the fact that it is not greater than the difference between the legal systems of the continental European and the Anglo-Saxon countries (not even speaking of the legal systems of the Islamic countries). As to the difference in the socioeconomic systems: Can anybody think seriously that the socioeconomic system in China (with which the Common Market signed an agreement in 1978) is closer to that of the Common Market countries than those of the CEMA countries?

In fact, there are many areas where the two halves of Europe may mutually complement each other. In addition to the advantages of geographic proximity, the operational characteristics of the two different economic systems were complementary to a certain degree during the 1974-1975 crisis developments in the Western countries. At that time, the stabilizing effect of relations with the smoothly expanding economy of the CEMA countries had been demonstrated in the economic life of the Western European countries. At the same



time, the sharp competition among the enterprises of the Common Market countries brings about such results in technical development that their transfer may prove effective as a dynamic element in the CEMA countries, too.

The two halves of Europe also complement one another to a certain degree with respect to growth potential (and within it, to productivity factor). The conclusion is reached from the calculations<sup>14</sup> relating to the West European growth potential that the dynamism of West-European innovations and the great production capacity of the CEMA countries could be harmonized in a manner to increase the growth potential of both parts of Europe.<sup>15</sup> Anyhow, such cooperation would provide more opportunities for Western Europe than a close cooperation limited exclusively to the United States and Japan.

Does the general development trend in the CEMA countries provide sufficient favorable perspective for such cooperation? In analyzing this trend, Prof Jozsef Bogнар pointed out recently<sup>16</sup> that a new concept prevails now in judging the importance of foreign economic relations. According to the new concept, foreign economic relations have a pulling effect on development. In the phase of intensive development, the importance of outside growth factors increases and requires a new economic strategy. The aim is the international convertibility of a greater share of economic energies.

It is noteworthy that a similar conclusion has been reached by Western European experts who have studied the problem.<sup>17</sup>

This has been confirmed by various developments in economic relations and their forms. CEMA Secretary General Fad'yayev, in a statement made in August 1978, once again stressed that the CEMA countries have never wanted to develop an autarchic economy; trade of the CEMA countries with countries outside the organization has increased sixteenfold since 1950 and the volume of trade between the CEMA and Common Market countries has increased 2.3 times in the last 5 years.

Currently, there are about 1,200 cooperation contracts in force between the enterprises of the CEMA and Western countries. The two CEMA banks as well as the banks of its member countries are established partners of Western banks and are appreciated participants in the international money markets, pointed out a respected West German expert of East-West relations.<sup>18</sup>

In the case of Hungary, the framework agreement signed with the large corporations of the Common Market countries represents a new form of relationship. Such a 5-year economic, industrial and technical framework contract was signed in Budapest in April 1978 by the Italian ENI [Ente Nazionale Idrocarburi] and the Hungarian Foreign Trade Bank (It should be noted that the share of the socialist countries in ENI's total exports amounts to 8-10 percent.)

While protectionism in international relations would mean the strengthening of uncertainty, such framework agreements stabilize the continuity and security of trade relations, markets and product exchanges.

Thus, it can be stated that on the level of real processes there are opportunities and forms for the development of relations. The question is still to be answered whether this encouraging development will obtain the legal and institutional framework developed jointly by the two integrated organizations? The prerequisite is the recognition of CEMA by the EEC as an equal contracting party, as an international legal entity. This recognition is long overdue.

Even according to Western experts, the assertion of the Common Market authorities is untenable that CEMA does not qualify as a contracting party. According to its charter, CEMA has the right to sign contracts with other countries and international organizations. Accordingly, at the end of 1977, CEMA had contractual relations with 60 economic, scientific and technical international organizations, thus, many international institutions have recognized it as a contractual party.<sup>20</sup>

Regarding Western opinions about the shaping of relations between the two communities, Baumer and Jacobsen, for example, say that the most obvious would be the following solution: A general framework agreement between CEMA and the EEC that would provide for the application of the most-favored-nation principle and for the methods of payment, while the details would be left to be settled in bilateral agreements between the various member countries. The agreement with CEMA would form an important element in normalizing economic relations with the environment of the EEC and could not be interpreted as curtailing the authority of the EEC or as transferring the coordination of trade policy to the EEC member countries--state the authors in their article quoted above. A similar recommendation can be read in the analysis by Axel Lebahn, also quoted above.

These ideas are close to the proposals that the CEMA representatives put forward during the discussions held in Moscow and Brussels between the two communities at the end of May and July 1978. This indicates that a rational approach based on the economic interests and concepts of both the East and the West could provide a fast solution for the legal method of institutionalized relations.

Together, the EEC and CEMA provide more than half of the industrial output of the world. Linking these tremendous economic potentials and running them for the benefit of Europe and the rest of the world could be achieved in the following areas by purposeful measures: elimination of discrimination against CEMA exports by the EEC (currently such products are articles of the textile and light industries, agricultural and food industry products); contracting a framework agreement about the general principles and rules of economic (trade and financial) relations between the two communities; the new economic potential thus developed should be used partly toward the developing countries in various forms of aid and cooperation in which tripartite cooperations would deserve special attention.

Tripartite cooperations are new and important phenomena in the world economy and in East-West relations. The interests of the European corporations and

the efforts to shape the new economic world order are closely intertwined in this tripartite cooperation. Several analyses published in the past few years in the Western and Eastern economic papers dealt with the experience gained so far and also with the potentials of tripartite cooperations. Here I wish to mention only that tripartite cooperations have opened up completely new horizons in the relations between CEMA and the EEC, organically linking the development of East-West and North-South relations.

## Conclusions

The arguments discussed draw only a few conclusions from the changes that have taken place in the entire world economy since 1973.

As the traditional concept of the national economy was followed by the concept of regional integrations in the fifties, in the seventies, the global aspect of the world economy is complementing the idea of regional integrations (and replaces the concept of "international economy" that, in fact, has never stopped thinking in the terms of national economies even when it has placed them next to each other and established relations between them.)<sup>21</sup>

Using the global concept, it seems, from the point of view of the socialist countries, that in addition to the three alternatives of protectionism, liberalism and selective integration there is also a fourth approach for the EEC: to initiate also on its own the harmonized operation of the main factors of economic activity on an intracontinental and intercontinental level. The division of these factors according to continents and regions has changed radically in the world economy since 1973 and they no longer coincide with the boundaries of the individual communities. Today's world economy is characterized by the polarization of such main factors as the capacity of technical development and money capital (in the Western countries); production capacities and reserves (in the CEMA countries); raw material resources and manpower (in the developing countries).

The community political will of the EEC would become meaningful only if it served the mobilization of an all-European economic potential by promoting the balancing and integration of these factors on a continental and global level. For Europe, this is a historic opportunity and a worldwide mission, worthy of the European traditions. This task cannot be achieved, obviously, by self-isolation, by the concept of regional introspection. Here, the concept is not some liberal-type passive openness in all directions but an active adaptation, and the conscious facilitation of the linking up and balancing of the factors in the various continents and regions of our globe.

This global view analysis<sup>22</sup> entails the prevision of medium- and long-term economic processes and the definition of action recommendations of the same kind. In this respect the practitioners of economic sciences have special responsibilities in the Common Market countries. While the Western politicians (under the pressure of parliamentary elections, special interest groups, demonstrations and other developments of everyday political life) are always ready to accept solutions that seem to be useful in the short run even

though they may prove to be harmful in the long run (as an example: protectionism), it is the professional duty of the practitioners of the economic sciences, who see the future more clearly and are not involved in the political struggles of the immediate future, to point out the dangers of political shortsightedness, and to recommend to the governments lasting solutions based on the reality of the future.

From this point of view, the responsibility of the EEC is not insignificant. Since it has gained an economic weight that is identical with that of the United States, it has a decisive word in the choice between the initiation of protectionism and the global division of economic activity. An opening toward CEMA, and linked up with it, opening up the EEC toward the developing countries would be in harmony with its own reasonable self-interest and with the common interest of the community of nations.

#### FOOTNOTES

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4. Lecture by American Economist Paul Marer in the World Economy Research Institute of the Hungarian Academy of Sciences, on 17 March 1978.
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7. For example: Jurgen B. Donges: The World Trade System at a Crossroads: Further Liberalization or New Protectionism? Europa Archiv. No. 7. 1978, pp 197-204, also: Janos Nyerges: Protectionism or Free Trade, KULGAZDASAG, No 12, 1977.
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19. Baumer and Jacobsen, op. cit.
20. Lebahn, op. cit. p 136.
21. See the distinctions made by Alain Cotta about "worldwide" and "internationalization" of economic processes in his latest book: "France and the Necessity of the World," Paris, PUF, 1978, p 232.
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2228

CSO: 2500

## INTERNATIONAL AFFAIRS

### BRIEFS

CZECH COMBINES TO USSR--Within the framework of the international harvest co-operation, 81 East Slovak combine-harvesters left yesterday with their crews and four workshops for the USSR Transcarpathian Oblast. The combine-harvester operators from the Presov, Vranov, Kosice, Humenne and Michalovce okreses will assist in harvesting the crop in the Transcarpathian Uzhorod, Mukacevo, Beregovo and Vinogradovo regions where the harvest is already in full swing. The East Slovak combine-harvester operators will return with an equal number of Soviet combine-harvesters and their crews to the fields of central and northern parts of the East Slovak Kraj, where the harvest will begin in 2 to 3 weeks. [Excerpt] [Prague PRACE in Czech 10 Jul 79 p 1]

CSO: 2400

REPORT ON ECONOMIC DEVELOPMENT DURING THE FIRST QUARTER OF 1979

Sofia STATISTICHESKI IZVESTIYA in Bulgarian No 1, May 79 pp III-VI

[Text] General Remarks

The present publication comes out once quarterly and includes annual, quarterly, and monthly statistical data on basic indicators characterizing the socio-economic development of the Bulgarian People's Republic.

The statistical news program covers 12 sections:

- I. Basic data on the development of the national economy.
- II. Population.
- III. Population's living standard.
- IV. Labor.
- V. Capital Investments.
- VI. Industry.
- VII. Agriculture.
- VIII. Transportation
- IX. Communications.
- X. Internal trade and prices.
- XI. Tourism.
- XII. Foreign trade.



The data for all sectors are based on the enterprise's organizational structure and composition for the respective period.

Value indicators are provided in prices for the respective year. Annual indicators of industrial and agricultural output, capital investments, trade, foreign trade prices, and monthly industrial production indicators are computed in terms of value in comparable prices. Annual indicators are computed taking 1970 as a base year; indicators for a period of less than one year are based on the corresponding period in the preceding year.

Data on monetary income, expenditures, and consumption by households are based on a representative survey of household budgets.

Data for the current year are preliminary and subject to further specifications in subsequent issues.

#### Interpretation of Abbreviations and Symbols

O--Amount lesser than one-half of the respective unit used

- No occurrence

.--No data

PAK--Industrial agrarian complex

APK--Agroindustrial complex.

#### Table of Contents

	Page
General Remarks	III
Development of the national economy in the first quarter of 1979	V
I. Basic data on the development of the national economy	1
II. Population	
1. Natural population dynamics	2
III. Living Standards of the Population	
1. Average monthly wage of workers and employees in state and cooperative industrial enterprises by quarter	3
2. Average monthly wage of workers and employees in construction by quarter	3
3. Average monthly wage of workers and employees by type of transportation by quarter	4

	Page
4. Average monthly wage of workers and employees in trade by quarter	4
5. Household income by social group	5
6. Household expenditures by social group	6
7. Consumption of some food products per household member by social group	7

#### IV. Labor

1. Workers and employees by sector	11
------------------------------------	----

#### V. Capital Investments

1. Capital investment indicators by form of ownership	12
2. Capital investment by structure	12
3. Capital investments by sector	13
4. Installed capital assets by structure	14
5. Installed capital assets by sector	14

#### VI. Industry

1. Industrial-production workers and employees in state industrial enterprises by sector and cooperative industrial enterprise	15
2. Indicators of overall output for the entire industry by economic group	16
3. Indicators of overall output of state industrial enterprises by sector	16
4. Indicators of overall output of state and cooperative industrial enterprises in 1979 by okrug	17
5. Production of some kinds of industrial commodities	18
6. Labor productivity indicator per individual of the industrial-production personnel of state industrial enterprises by sector	24

## VII. Agriculture

1. Indicators of overall agricultural output by sector	25
2. Farm animals according to separate balance sheets of public farms	25
3. Farm animals according to separate balance sheets of public farms by category	26
4. Farm animals according to separate balance sheets in public farms on 1 April 1979 by okrug	27
5. Products and livestock productivity based on separate balance sheets in public farms	28
6. Products and livestock productivity based on separate balance sheets in public farms by category	29
7. Products and livestock productivity based on separate balance sheets in public farms in 1979 by okrug	30
8. Purchased agricultural commodities	31

## VIII. Transportation

1. Workers and employees by type of transportation	32
2. Transports by rail	33
3. Transports by public use motor vehicles	34
4. Maritime transports	34
5. Riverine transports	35
6. Civil air transports	35
7. Labor productivity by type of transport facility	36

## IX. Communications

1. Workers and employees and labor productivity in communications	37
2. Communications services by type	37

## X. Internal trade and prices

1. Workers and employees in trade	38
2. Retail trade	39
3. Retail trade in 1979 by okrug and place of sale	40
4. Some foodstuffs sold by the retail trade network and in public catering	41
5. Sales of certain noncomestible goods by the retail trade network	42
6. State retail prices of fresh vegetables and fruits	43
7. Prices of fresh vegetables and fruits at cooperative markets in 66 cities	44
8. Indices of prices of fresh vegetables and fruits	45

## XI. Tourism

1. Foreigners visited Bulgaria by type of visa	46
2. Bulgarians who visited other countries, by purpose of visit	47

## XII. Foreign Trade

1. Foreign trade	48
2. Exports to and imports from socialist countries	48
3. Exports by commodity section	49
4. Imports by commodity section	49
5. Exports of certain commodities	50
6. Imports of certain commodities	53

## Development of the National Economy in the First Quarter of 1979

In answer to the appeal of the BCP Central Committee on the fulfillment and overfulfillment of the 1979 plan, from the very first months of 1979 the country's national economy continued to develop at a high and stable pace.

This trend of stable and continual development was clearly shown in the results achieved by all national economic areas.

### Industry

In industry, the most important national economic sector, the volume of overall output of state and cooperative enterprises was 5.7 percent higher compared with the same period in 1978.

Electric and thermal power production reached the highest rate of increase--11.8 percent.

Overall fuel industry output rose 10.4 percent.

Nearly all okrugs in the country increased their volume of industrial output. The highest growth rate of industrial output was achieved by the Veliko Turnovo, Razgrad, Tolbukhin, and Blagoevgrad okrugs.

The production of commodities particularly important to the national economy rose considerably.

Compared with the same period in 1978, output rose as follows: electric power, 7.7 percent; coal, 6.4 percent; and rolled ferrous metals, 0.4 percent.

Ferrous metallurgy produced 386,700 tons of cast iron and ferroalloys and 633,000 tons of steel.

In the period under consideration the machine building and metal processing industries produced 1.9 percent more electric hoists and 48.7 percent more television sets.

The production of a number of chemicals rose as well: sulphuric acid, by 6.5 percent; calcinated soda, by 2.9 percent; and phosphorous fertilizers, 1.0 percent.

Between January and March the production of construction materials by state enterprises rose 6.3 percent. Cement production rose 6.8 percent.

The cellulose-paper industry continued its faster development pace, as the result of which its output rose 8.8 percent. Correspondingly, cardboard production rose 22.8 percent; paper, 12.7 percent; and cellulose, 10.3 percent.

The textile industry output rose 8.6 percent.

The food industry output expanded. Between January and March it produced 41.2 percent more canned vegetables, 22.1 percent more cheese, and 8.8 percent more tobacco products.

Compared with the first quarter of 1978 labor productivity per industrial-production worker in state industrial enterprises, based on the overall industrial output, rose 4.4 percent. The highest pace was reached by the fuel and textile industries--9.6 percent each--followed by the cellulose-paper industry.

The number of industrial-production workers and employees in state and cooperative industrial enterprises rose 1.3 percent.

Compared with the January-March 1978 period average worker and employee wages rose 3.4 percent.

#### Agriculture

On 1 April 1979 the number of cattle in the public farms with separate balance sheets rose 2.1 percent; the number of cows rose 2.8 percent; hogs 9.1 percent; and sheep, 2.7 percent.

The amount of animal husbandry products continued to rise. Compared with the first quarter of 1978 cow milk production rose 13.3 percent while egg production rose 5.9 percent.

Milk output per fodder-fed cow averaged 641 liters or 10 percent above the average output for the corresponding period in 1978. A stable trend compared with the same period in 1978 was noted in terms of average egg laying per hen.

The amount of milk purchased from all category farms rose 14.3 percent; meat (pork), 7.8 percent; and eggs, 9.1 percent.

#### Capital Investments

Within the period under consideration capital investments totaled 733.7 million leva.

Most of that amount was invested in material production sectors. The greatest amount was concentrated on expanding the industrial material and technical base.

The share of investments for modernization and reconstruction accounted for 35.0 percent of the overall volume of capital investments.

Compared with the same period in 1978 the amount of installed capital assets rose 3.8 percent.

#### Transportation

Compared with January-March 1978 public use transport facilities hauled 0.5 percent more freight.

Labor productivity rose as follows: by motor vehicle, 2.3 percent; by air, 20.0 percent; by sea, 10.9 percent; and by river, 4.8 percent.

#### Communications

Income from communication services rose 11.3 percent while labor productivity rose 15.5 percent.

#### Trade

Compared with January-March 1978 the volume of retail trade rose 3.4 percent. Increases equalled 3.4 percent in trade and 3.1 percent in public catering; 79.5 percent of the trade was in the cities compared with 78.9 percent in 1978. Sales rose as follows: rice, 4.6 percent; meat products, 4.8 percent; milk, 5.0 percent; cheeses, 4.9 percent; butter, 22.5 percent; eggs, 1.7 percent; fresh and canned vegetables, 8.8 percent; fresh fruits, 1.6 percent.

Sales of knitted goods, furniture, passenger cars, and others rose.

Our country is a desired and sought after partner on the foreign markets for which reason its foreign economic relations and participation in socialist economic integration are steadily broadening and intensifying.

Overall exports rose 19.4 percent. Within the overall volume of exports machines and equipment for industrial purposes accounted for 50.2 percent compared with 44.6 percent for the same period in 1978.

Exports of forklift trucks, electric hoists, ships, ship goods, tractors, and others rose.

Compared with the same period in 1978 imports of metal cutting machines rose 3.4 percent. More coal, crude oil, radio receivers, vacuum cleaners, lemons, and other goods were imported.

#### Tourism

The exchange of tourists with other countries increased.



In the first three months of the year our country was visited by 388,300 foreigners, 55.6 percent of whom with entrance visas.

The number of Bulgarian citizens who visited other countries reached 99,800; 61.7 percent of them traveled on private business.

5003

CSO: 2200

MAY 79 ECONOMIC RESULTS REVIEWED

Prague HOSPODARSKE NOVINY in Czech 25 Jun 79 p 2

[Article by Federal Bureau of Statistics: "May 79"]

[Text] The economic development in May 1979 is characterized primarily by:

--overfulfillment of enterprise plans for gross production in industry, while the lag dating from January has not been markedly reduced;

--in construction, nonfulfillment of enterprise plans for construction projects, and low fulfillment of tasks in housing construction by contractors;

--in procurement of animal products, overfulfillment of the timetable for procurement of cattle (with the exception of slaughter hogs), poultry and eggs, and nonfulfillment of the timetable for milk procurement;

--in domestic market, an accelerated growth rate in retail trade of the main trade systems;

--in foreign trade, a rate of growth in export, particularly to non-socialist countries, higher than in import.

From the beginning of the year until the end of May the volume of gross production in industry was 2.3 percent higher than during the same period in 1978, in construction projects completed with internal resources by 2.2 percent, and in retail trade in the main trade systems by 1 percent. In foreign trade total export was up 7.4 percent and total imports by 7.5 percent.

In May, and since the beginning of this year, the number of working days was the same as during the same period in 1978.

In the centrally planned industry, the volume of gross production in May was Kcs 52 billion and 5.1 percent higher than in May 1978. From the beginning of the year through May gross production amounted to Kcs 247.2 billion, i.e., 2.3 percent more than in the same period in 1978. The planned annual increment was 4.2 percent. At the end of May, 40.7 percent of the planned annual

volume of gross production has been fulfilled. The most outstanding increase in production over the first five months of the year was evident in heavy industry (up 5 percent), in the textile industry (up 3.8 percent), in the rubber industry (up 3.6 percent), and in general engineering (up 3.5 percent).

Enterprise plans of gross production with overall overfulfillment by 0.5 point have not been met in May by 189 enterprises in centrally planned industry, i.e., by 22.2 percent of the total. In the January-May period 98.5 percent of total specifications for enterprise plans of gross production were met. As compared with the situation at the end of April, the lag in production dating from the beginning of the year has been reduced by approximately Kcs 250 million, with Kcs 3.9 billion to be balanced, i.e., an average daily production of 1.65 day. Planned tasks in gross production have not been fulfilled by 456 enterprises, i.e., 53.6 percent of the total. The lag in those enterprises amounted to Kcs 5 billion; the Federal Ministry of General Engineering (with 27.8 percent) and the Ministry of Industry of the CSR (with 18.9 percent) bear the greatest share among the nonfulfilling enterprises.

In trade problems with troublefree supplier-consumer relations continue. The planned annual growth rate thus far this year was surpassed in deliveries of machinery and equipment for investment. In deliveries for domestic trade and for import, fulfillment of the plan was low in particular in the production of construction materials, in general engineering, and in wood-processing and food industries.

In agriculture the hot dry weather during the second half of May helped speed up works in the fields, however, the high temperatures and the unusually dry weather unfavorably affected the condition of the crops, especially grain and root crops. Sowing of corn for grain and potato planting were completed. Thinning of sugar beets was completed over 84.1 percent of planned areas as of 5 June. Harvest of multiannual fodder crops is slightly behind schedule. As of 5 June, 31.6 percent of planned areas have been harvested. In animal production the timetable for procurement was surpassed in procurement of slaughter cattle, slaughter calves, poultry and eggs but not fulfilled in procurement of slaughter hogs and milk. In general, during the months of January through May procurement was higher by 22,800 tons of slaughter animals, including poultry, lower by 30.7 million liters of milk, and higher by 27.1 million eggs than during the same period in 1978.

In the construction industry, in May construction enterprises delivered work in the value of Kcs 7.4 billion, completed with internal resources, i.e., 6.1 percent more than in the same month in 1978. Enterprise plans for construction projects in May were 98.6 percent fulfilled. From the beginning of the year through the end of May, the volume of construction projects completed with internal resources amounted to Kcs 30.7 billion, i.e., 37.0 percent of the planned annual task. As compared with the same period in 1978, the growth rate of construction work for the five months in 1979 was 102.2, while the annual state plan envisaged a growth rate of 105.5. All the enterprise plans for construction projects for the January-May period have not been fulfilled (96.3 percent); as compared with the plan, the lag in construction production amounted to Kcs 1.2 billion and represented 3.7 days of average planned con-

struction production. The enterprise plan for the first five months of 1969 has not been met by 173 enterprises, i.e., 74.2 percent of the total. In structural development of construction projects according to contracts, enterprises demonstrated the lowest rate of fulfillment in work on comprehensive housing construction. At the end of May, 14,247 housing units were completed by contractors against 18,891 housing units completed last year during the same period.

In public freight transport the plan was fulfilled at 100.9 percent in May. The volume of freight transported by railroads was 3 percent higher and of freight hauled by Czechoslovak Automobile Transport 3.6 percent higher than in the same month in 1978. A total of 55.2 million tons of goods was transported in May. Since the beginning of the year until the end of May the plan for transport was fulfilled at 86.7 percent. The lag in the plan for transport was reduced in May to an amount of 8.4 million tons. In the first five months of 1979 public freight transport hauled 245.1 million tons of goods, i.e., 1.6 percent less than until the end of May 1978. Railroad transport shipped 114.4 million tons of goods (1.5 percent less than in 1978). Planned loading was fulfilled at 96.7 percent; in essential substrates fulfillment was low primarily in loading of construction materials and ores.

The average daily rate of loading in wagon units was 3.6 percent below the January-May 1978 period; the average turn-around time of one wagon unit in days was up by 6.9 percent. In highway transport, 128.1 million tons of goods were transported, i.e., 1.6 percent below the comparable period in 1978.

In foreign trade, 37 percent of the planned annual tasks were fulfilled in export (to socialist countries at 38.4 percent and to non-socialist countries at 34.5 percent) and 36.7 percent in import (36.6 percent from socialist countries and 37 percent from non-socialist countries) before the end of May.

In domestic trade the development of retail turnover accelerated in May. The rate of growth in retail trade of the main trade systems in May was 104 as compared with the same month of 1978; enterprise plans were fulfilled at 100.5 percent. Total procurements in the main trade systems amounted in May to Kcs 17 billion, in retail network to Kcs 14.7 billion, and in public dining to Kcs 2.3 billion. Cumulatively since the beginning of 1979 retail turnover of the main trade systems increased 1 percent (the planned increment for the whole year in all systems is 2.3 percent) and amounted to Kcs 78.7 billion. In the retail goods network in the value of Kcs 68.8 billion were sold in the five months, retail trade in the public dining system was almost Kcs 10 billion. The highest growth rate during the January-May period was achieved in retail trade in footwear (106) and food retail (103) trade organizations. Enterprise for the five months were fulfilled at 98.8 percent, in retail network at 98.4 percent, and in public dining at 101.7 percent.

National savings deposits came to Kcs 148.2 billion by 15 May, which was Kcs 0.4 billion higher than on the same date in 1978. The situation of cash in circulation was Kcs 39.5 billion as of 31 May.

# BASIC INDICATORS OF DEVELOPMENT OF NATIONAL ECONOMY IN MAY 1979

Increments Over Comparable 1978 Period (in percent)

	April	May	January -May	Federal Plan <sup>1</sup>
1979				
Industry:				
Gross production	4.7	5.1	2.3	4.2
Average number of workers	0.7	0.8	0.7	0.7 <sup>4</sup>
Labor productivity	3.9	4.3	1.6	3.8 <sup>4</sup>
Construction:				
Construction work completed with internal resources	6.2	6.1	212	5.5
Average number of workers	0.3	0.6	0.5	0.9
Labor productivity	5.9	5.4	1.7	4.5
Housing units delivered by contracting enterprises	8.8	-23.0	-24.6	4.1
Procurement:				
Slaughter animals (including poultry)	1.4	1.0	3.2	4.1
Milk	-1.5	-1.7	-1.6	3.4
Eggs	3.7	2.8	2.6	3.6
Retail Trade:				
Of the main trade systems	2.2	4.0	1.0	2.3 <sup>2</sup>
Foreign Trade:				
Exports to socialist countries	10.5	4.8	5.2	4.4
Export to nonsocialist countries	22.4	8.0	11.4	6.9
Imports from socialist countries	11.2	-0.6	8.5	6.9
Imports from nonsocialist countries	4.9	1.4	5.7	1.2
	March	May	January -May	Federal Plan <sup>1</sup>
Total sales (for organizations included in the federal plan)	5.5	2.2	0.4	.
Of which:				
Investments	8.6	-16.4	-6.2	-8.7
Domestic trade	3.2	3.7	0.4	4.8
Exports (in the plan)	4.4	2.0	0.5	5.2 <sup>4</sup>
Other sales (including exports in the plan)	6.0	3.1	0.8	.
Investment work and deliveries (excluding Action Z and self-help)	1.6	5.9	-0.5	2.6
Of which:				
Construction work	-2.3	9.6	-2.4	6.2
Machinery and equipment	6.2	1.5	1.9	-1.8
National income <sup>6</sup>	3.8	3.1	2.6	4.2 <sup>4,5</sup>
Out of which:				
Wages <sup>6</sup>	4.0	3.5	3.7	3.3 <sup>4</sup>
Actual monetary expenditures <sup>6</sup>	0.6	1.0	-0.3	3.0 <sup>4,5</sup>

#### FOOTNOTES

1. Increments compared to actual 1978 results.
2. All trade systems.
3. Data on actual results refer to actual overall transactions, less nonplan actions within the framework of cooperation, nonplan reexport trade operations, barter, joint production trade, etc.
4. Increments compared to the expected results of 1978.
5. Including interest for loans.
6. Data calculated according to the treasury plan of the Czechoslovak State Bank.

9004

CSO: 2400

CZECHOSLOVAKIA

NEW SPEED LIMITS IN CSSR DESCRIBED

Bratislava PRAVDA in Slovak 11 Jul 79 p 2 AU

[CTK report: "Decree of CSSR Interior Ministry; Limiting Speed"]

[Text] The CSSR Ministry of Interior has issued a decree that changes and amends decree number 100/1975 of the code regulating road traffic. The changes and amendments pertain to the speed limits of vehicles on CSSR roads and highways.

Article 12, paragraph 1 of decree number 100 explicitly states that driver must adapt his speed to his ability, to the characteristics of the vehicle and load, to weather and other foreseeable conditions; he can drive only at a speed that permits stopping the vehicle within the visibility distance; the driver

- a) of a motorcycle can drive maximum 80 kilometers per hour
- b) of a passenger car of delivery van
  - on the freeway maximum 110 kilometer per hour
  - on other roads maximum 90 kilometers per hour
- c) of a truck or a special-purpose vehicle with total weight
  - up to 6,000 kilograms maximum 80 kilometers per hour
  - exceeding 6,000 kilograms maximum 70 kilometers per hour
- d) of a bus
  - of regular public long-distance passenger service maximum 90 kilometers per hour
  - of public and enterprise passenger service maximum 70 kilometers per hour.

These regulations also apply to driving at night between 2300 and 0500 hours [local time]. According to paragraph 12, the speed limits do not apply to drivers of armed forces' vehicles and armed corps' vehicles and to driver of test vehicles of the research-and-development facilities when fitted with a special registration number plate.

The decree goes into effect on 1 August 1979.

CSO: 2400



PROFITABILITY IN AGRICULTURE VARIES AMONG COOPERATIVES

Prague ZEMEDELSKE NOVINY in Czech 14 Jun 79 p 3

[Article by F. Crkva: "Thoughts on Profitability; Before the Semi-annual Verification of Management"]

[Text] The CPCZ Central Committee studied, at its 13th session on 21 and 22 March 1979, among other matters, the problems of the system of the planned administration of the development of agriculture, especially questions of the further improvement of the system of economic instruments.

It studied the problems of the system of economic instruments and financial management of agricultural enterprises in part because the situation in these areas of the management of unified agricultural cooperatives [JZD] and state farms has not been evolving favorably in past years and in part because there continues to exist unjustified and significant differences in the productive and financial results of single regions, sectors and single enterprises.

In the past year the JZD in the CSR showed Kcs 4,789,000,000 profit, which represents a profitability of 12.4 percent of costs. This profit and level of profitability are, however, significantly differentially distributed, in part between regions and in part, and this above all, within single regions (see the table). Out of a total of 1,139 JZD, only 73 enterprises (6.4 percent) showed a loss. Of the profitable JZD, 41 percent had a profitability of more than 15 percent, 48 percent of the JZD had a profitability in the range of 5 to 15 percent and 11 percent had minimal profitability (under 5 percent).

Of the cooperatives with a profitability of over 15 percent, 47 percent were in corn and beet and 34 percent in potato regions. Insofar as it is a question of the 84 united agricultural cooperatives in mountain and potato-oat regions (foothill), that is, 19 percent of all JZD with a profitability of over 15 percent, it is a question mostly of cooperatives with extraordinarily diversified associated products.

In the beet and corn regions, 2.6 percent of the enterprises last year were unprofitable and if we include the 21 enterprises with a profitability under 5 percent, which after payment of property taxes have minimal profits for distribution, then 7.7 percent of all the enterprises of these regions have

serious financial problems. On the other hand, almost half of the cooperatives of these regions have a profitability of over 15 percent. In the potato region the differentiation is still more conspicuous: roughly one-fifth of the cooperatives have a profitability of under 5 percent or are unprofitable and, on the other hand, one-third of the united agricultural cooperatives have a profitability of over 15 percent.

#### The Most Profit in Beet and Corn Regions

Of the overall profit, 52 percent falls to the beet and corn regions, even though they have only 39 percent of the total land. Still more conspicuous are, however, the differences in the determination of profit per hectare of agricultural land. Enterprises with a profitability of over 15 percent have approximately Kcs 3,000 profit per hectare; enterprises with a profitability of 10 to 15 percent, approximately Kcs 2,000, and enterprises with a profitability of 5 to 10 percent, approximately Kcs 1,000 profit per hectare.

Even when, after the payment of property taxes, the profitability and profit per hectare in the corn and beet regions falls slightly, there remains here still quite a conspicuous differentiation.

Concerning the generation of profit, it is necessary to state that it is also influenced by the scope of nonagricultural activities. On the average, for the whole CSR, 25 percent of the income from overall operations of JZD resulted from other than just earnings from agricultural products and a similar percentage is shown by JZD of the potato region on the average, however, in the beet region it is 20 percent. The relatively favorable results in the potato-oat (foothill) region and in the mountain region are doubtless also influenced by the high share of incomes other than just earnings from agricultural products: in the potato-oat region this is 30 percent and in the mountain region even 50 percent. At the same time in the mountain region a significant share falls to earnings from nonagricultural associated products.

#### Differences in Credit Burden

Differences in profitability persisting over the long term, especially in the period prior to the introduction of taxes on profits, is also having an effect on the development of the differentiation of the credit burden. While JZD with a profitability greater than 15 percent had prior to 31 December 1978 only Kcs 1,299 of credits per hectare, JZD with a profitability under 5 percent and a loss of under 5 percent have approximately Kcs 5,000 of credits per hectare and JZD with greater unprofitability have approximately Kcs 7,000 to 10,000 of credits per hectare. Here the conditions for the repayment of credits with regard to created profit, loss if you like, are very problematic.

As is clear from the data in the table, neither a portion nor all JZD with low profitability, or which are unprofitable, is significant. Cooperatives with a good income position conspicuously predominate in the CSR; still it is necessary to solve the problems of the small number of JZD.

The resolution of differences in profitability in the decisive groups of enterprises possesses fundamentally greater economic significance and is also decisive for the further development of the economics of individual agricultural cooperatives. Given the current level of costs, the difference, for instance, between 5-percent and 20 percent profitability represents approximately Kcs 2,250 of profit per hectare, which is, actually, a very large difference.

In this direction it is also necessary to solve problems of the management of state farms. From a glance at the table we see that in worse soil and climatic conditions, that is, in foothill (potato-oat) and mountain regions, only 255 JZD manage 507,000 hectares of agricultural land, that is 19.3 percent of the total area of JZD in the CSR. At the same time, in mountain regions there are only 60 JZD (4 percent of the total area of JZD). And these cooperatives show profitability thanks only to a high share of associated products. The decisive part of the land of the mountain and foothill regions of the CSR, just as the greater part of the area in more difficult productive-economic conditions of other regions, is now concentrated into state farms and, therefore, it is especially necessary to modify economic instruments here.

#### Reasons for Differences Also in Economic System

Analyses of the long-term effect of the economic system and the long-term evolution of the management of agricultural enterprises showed that not only differences in the level of production and its structure, and differences in the level of utilization of all factors of production share in the differentiation in financial results in regions, within a region and between sectors, but that the system of economic instruments does not work effectively enough here.

Even though the system of economic instruments has been verified, especially in the period of the Fifth Five-Year Plan, as an active and effective factor in the system of the planned administration of the development of agriculture, it is evident on the basis of an evaluation of development in the course of past years that it will be necessary to improve, define more precisely and adapt certain of its elements to contemporary needs and especially the needs of the Seventh Five-Year Plan.

Therefore, the CPCZ Central Committee decreed an improvement of the system of economic instruments, so as to increase the material interest of enterprises in an increase of the productivity of labor, more effectively influence the development of their incomes, increasingly support planned structural changes in the production of individual regions and enterprises, utilize means of production and financial resources and create the conditions for expanded reproduction and an increase in the effectiveness of production.

The elimination is being imposed of extreme and unjustified differences in profitability of individual products, leading, in view of increasing specialization, also to extreme and unjustified differences in the profitability of whole enterprises. At the same time it is also necessary to reevaluate the instruments which resolve the effect of differential rents and modify them so

that they contribute more to the equalization of incomes between regions and enterprises; it cannot, at the same time, be a question only of naturally differentiated soil and climatic conditions, but it is necessary to react better to differences in the outfitting of enterprises, in the structure of production and on additional productive economic conditions and differentiations, for higher and more effective output.

# Breakdown of Total Number of JZD in CSR According to Percentage Profitability in 1978

Rozdělení počtu JZD v CSR podle % rentability v roce 1978

% rentability	Počet JZD v ohlasech						7) Zisk (ztráta)		Ověry		
	1)	2)	3)	4)	5)	6)	8)		9)		11)
	v tis. ha						výměra zemědělské půdy	celkem	na 1 ha	celk.	na 1 ha
nad 15	21	184	150	71	13	439	949	2849	3002	1233	1299
10--15	9	100	120	57	13	299	704	1355	1924	2266	3219
5--10	7	55	100	38	12	212	530	535	1102	1979	3731
do 5	1	20	68	15	12	118	277	196	419	1399	5050
celkem	38	359	438	181	50	1068	2460	4905	1994	8877	2795
zisková JZD	5	26	8	5	44	105	30	288	514	4895	
do -5	4	9	8	3	22	56	60	1071	395	7051	
-5 až -10	1	3	1	5	10	17	1700	80	8600		
-10 až -15	1			1	2	5	9	3000	25	8333	
nad -15											
celkem	11	38	14	10	73	174	-116	667	1020	5802	
ztrátová JZD	38	370	476	195	60	1139	2634	4789	1819	7897	5862
úhrnem											

## Key:

1. Corn
2. Beet
3. Potato
4. Potato-oat
5. Mountain
6. Total
7. Area of Agricultural Land (x1000 hectares)
8. Total (Million Kcs)
9. Total (Kcs per hectare)
10. Total (Million Kcs)
11. Total (Kcs per hectare)

9276

CSO: 2400

POSITIVE, NEGATIVE CONSEQUENCES OF ECONOMIC EXPERIMENT VIEWED

New Elements in Planning

Prague HOSPODARSKE NOVINY in Czech 25 May 79 p 4

[Article by Eng. Vilem Strnad, Hutni druhovyroba Economic Production Unit, Prague]

[Text] This article presents the results of examination of the effectiveness of the new indicator of internal value added [vlastni vykony--the contribution to total wholesale cost made by the enterprise in question: includes profit, wages, plant expenses and depreciation] in the first year of the comprehensive experiment in measurement and evaluation of the effectiveness of labor and its productivity in the Hutni druhovyroba [metalworking] Economic Production Unit.

During the first quarter of 1978, we introduced into our economic production unit the monthly enterprise statement of "Standard Indicators of the Improvement of Effectiveness and Quality". This monitors plan fulfillment from the beginning of the year and progress in comparison with the same period of the previous year (it is arranged on a comparative basis according to the conditions of the experiment). These standard indicators are: quality of product, labor and production production assets, effectiveness and profitability. They are derived from the internal value added method, which was developed in accordance with the state research assignment on "Methodological Problems of Measuring the Effectiveness of Structural Changes in the National Economy."

New Indicators

In measuring and evaluating labor productivity, it is traditional to keep track of gross output for information purposes only. The main emphasis is placed on the index of labor productivity, by which we mean the amount of internal value added per worker, and on the index of social productivity, which means the amount of wages, contributions to national insurance and profit (i.e. net output) per worker.

Net output is the proportion of the social product which remains after paying for the production resources which have been used. It measures the created value, value added by the processing which is embodied in all products in the



production area, i.e. the final product. It is also an indicator of the formation of national income in the enterprise. Directly associated with this is the index of average earnings: the proportion of work done for oneself. This index measures the rate of compensation for work and the proportion which each worker in a production enterprise receives in the primary division of net output: the national income.

The unit and average indicators in this system are in a direct relationship to each other. This special grouping of them is aimed at an objective evaluation of individual activity and at determining the effect of intensifying factors on economic effectiveness. They are subdivided according to the main areas of activity.

For the economic production unit as a whole, even in the first year it was possible to record a real movement away from the most material-intensive types of production. This manifested itself in a higher increase in the index of labor productivity [zive prace--of manpower]. compared with the traditional index of productivity from gross output. The difference in results between 1978 and 1977 was 2.54 points in favor of productivity from internal cost inputs. The difference in growth of social productivity (net output--final product) was also favorable, being more than 4.11 points.

The results would have been even better had it been possible in all the enterprises of the economic production unit to implement the principle that the primary aim is to achieve optimal growth of labor productivity and that a decreasing trend in fulfillment of the index of productivity from gross output with a corresponding drop in material intensiveness and decreased consumption of transferred external labor and external value added [cizi vykony--the contribution made by other enterprises] is a socially desirable development. In this case, a declining trend in the indicator of productivity from gross output or from some other indicator in terms of total output value does not indicate worsening effectiveness. Instead, it indicates a change in production structure with a changeover to the production of less material-intensive products or to a decreasing proportion of interenterprise cooperation.

For example, if the Hlohovec Wire Plant were evaluated in terms of the increase in total output value (gross output, commodity output, value produced, receipts), it could not be numbered among our leading enterprises. Why? It was originally intended to produce drawn wire and products made from it. For the production of cable it bought patented wire which it then made into cable and sold. It built a new facility, decreased its cooperation and increased the number of workers, while expenses and the total output index fell. This change in production structure was accompanied by additional production with high requirements for manpower, fixed capital and expenses: the production of cord for belting and tires, which required only 15 percent external labor. With the production of drawn wire, entailing 70-80 percent external, transferred labor, in a stagnant condition, volume indices of overall output necessarily decreased.



Variation of Product Cost Breakdown for Hutní druhovýroba Economic Production Unit (per 100 korunas of wholesale cost).

- |  |                                     |
|--|-------------------------------------|
| Key: 1. 100 korunas wholesale                    | 7. Material consumption             |
| 2. Transferred value                             | 8. Interest, nonproduction expenses |
| 3. Internal value added                          | 9. External value added             |
| 4. Profit (and national insurance contributions) | 10. Net output, final product       |
| 5. Wages   | 11. Newly formed value, value added |
| 6. Equipment expenses and depreciation           |                                     |

### Nontraditional Thinking

Even in this first year of examination of it, the internal value added index is giving evidence of a new and objective way of thinking. The Hlohovec Wire Plant achieved its highest growth in labor productivity and social productivity (11.15 and 8.7 percent) compared with last year, and in our economic production it obtained the best results in growth of productivity and average wages. If volume indices of total output were evaluated, the Hlohovec Wire Plant would have no claim to even an 0.5-percent increase in wages.

This is an instance which is instructive and aids in understanding why the volume indicators of total output (gross output, commodity output, receipts, total sales and the like) are used only as information indices in the enterprises participating in the experiment. The primary and decisive concern is the growth of indices of internal value added, which is not and cannot be

affected by a rising or falling proportion of transferred external labor. In practice, however, it is insufficient merely to proclaim that the traditional and simplistic evaluation of volume indicators is not suitable for the internal value added method. This basic principle must be understood in advance. It must be understood that a production unit which increases its formation of resources for compensation of operating expenditures and depreciation and for increasing profits is working in an economically effective manner and that a decreasing percentage of external labor, even at the cost of a decreasing total output value, is desirable and necessary in terms of the entire economy.

Last year the Hlohovec Wire Plant was criticized by the political organs and in the press because it did not meet its required gross output figure. Nobody was disposed to listen and to take into account that it had decreased its consumption of external labor--materials consumption--by 10 percent in the plan and by an actual 12.6 percent. This meant a decrease of 75 million korunas, almost 9 percent, in the gross output indicator. It is self-evident that this is not a decrease against the norm, but a decrease in consumption through a changeover to a production structure involving products which require less material and entail less cooperation.

Accordingly a higher fulfillment of the index of productivity from gross output compared with productivity from internal value added, which was recorded for 6 of 14 enterprises in our economic production unit, indicates only a lingering susceptibility to indicators of overall output value and an overfulfilling of output indicators even at the cost of preferring the production of products entailing large amounts of external labor and increased inter-enterprise cooperation.

The range of proportions of internal and external value added in total output value shown by the production structure of our economic production unit with its 26 metallurgical and machine-building departments and thousands of possible products can be indicated schematically in terms of the breakdown of each hundred korunas of output (see graph).

This variation is governed in each production section by the assortment, with the same breakdown in terms of 100 korunas of price and production cooperation. Material consumption in the output value index for the economic production unit shows an increase equivalent to the proportion of transferred value each time there is production cooperation between metalworking enterprises within the economic production unit. The differing possibilities for influencing the total output value index by material consumption--the proportion of external labor--requires that the indices of material consumption be planned, measured and evaluated anew. The internal value added method shows convincingly that structural changes and innovations in production do not affect the rise or fall of material consumption in the activity of the production unit--the creation of internal added value, but manifest themselves directly in the rise or fall of output value indices without merit or fault on the part of the working collectives. This is also the main reason why these indicators cannot be used in measuring and evaluating economic effectiveness, and why they are only used for information purposes.



## A Socially Desirable Trend

The so-called "standard index of production innovation" is important in the planning, measurement and evaluation of material consumption. It is a coefficient of the change of labor intensiveness of production and change of material intensity. Both of these indices must fall given optimal production process trends. The standard indicator of production innovation begins with a comparison of the course of material consumption and of labor intensiveness of unit output and determines the decrease in labor intensiveness for constant utility of output. It should fall below 1, being about 0.98-0.99 for the year. If it is above 1, it indicates not only inadequate material savings, but also (and especially) a changeover in the production structure to the production of products which are more material intensive and to an increasing proportion of external added value.

In the first year of the experiment, the standard index of production innovation for our economic production unit was over 0.9822. This is a considerable decrease compared with 1977. In 1977 it was 0.9992, and at the end of the five-year plan 0.9917. The directives of the federal ministry of metallurgy and heavy machine building for 1980, the target year of the comprehensive experiment, give a value of 0.9913 for the standard indicator of production innovation for our economic production unit. In accordance with previous practice, the indices of commodity output and total output were also specified.

In evaluating the new elements and making the transition to higher-quality planning of social effectiveness, we must have a decisive encounter to overcome long-standing practice and routine operation in the planning, evaluation and monitoring of indices of commodity output, gross output, sales and overall added value. Maintaining the socially desirable decreasing tendency of the standard indicator of production innovation at least at the 1978 level would mean nonfulfillment of the commodity output index figure and those for the other value indicators of total output in 1979 by roughly 1.5 percent and in 1980 by about 2 percent.

Anyone who follows the traditional method of evaluating plan fulfillment only by the indices of commodity output, gross output, sales and total value added will be unable to account for the fact that such nonfulfillment is desirable for the society as a whole if it makes it possible to meet all the norms for labor productivity, effectiveness and profitability and manifests itself in decreased material consumption, i.e. in a decreased consumption of transferred external labor.

### Some Problems Noted

Prague HOSPODARSKE NOVINY in Czech 1 Jun 79 p 4

[Article by Eng. Eva Jindrova, kraj management of Czech Statistical Office, Hradec Kralove: "Positive, But Not Without Problems"]

[Text] Last year 16 industrial production organizations took part in the comprehensive experiment in managing effectiveness and quality in the East Bohemian Kraj. Their output amounted to 5.2 billion korunas, 11 percent of

the total industrial output of the kraj. The lion's share belonged to the machine tool enterprises (2,246 million); commodity output in the leather industry was 1,321 million, in the textile industry 961 million, and in the chemical industry 704 million korunas. The results achieved last year, the first year of the experiment, were favorable overall; nonetheless, the desired results have not been fully achieved on some areas.

#### Production Targets

Even though the experiment shifted the quantitative indices of production away from the center of attention, they were fulfilled in a favorable manner overall. Although production trends were slightly lower than for industry as a whole, all organizations participating in the experiment met the requirements of the state plan.

Favorable results were recorded in the area of internal added value in particular. This index is intended to help in eliminating undesirable cooperation between enterprises and in moving away from material-intensive production. The initial provisions of the plan for the organizations participating in the experiment called for internal added value of more than 2,074 korunas.

Although the ground rules of the experiment reinforce the adoption of progressive plans, only 5 organizations adopted higher targets. The short-term plans of 5 of them remained at the level of the initial provisions, while 6 enterprises lowered them. For the group of participating enterprises as a whole, this led to a decrease of 8.3 million korunas or 0.4 percent from the initial plan. However, the overall results show that these enterprises considerably underrated their capabilities, for the initial plan was ultimately surpassed by 1.1 percent. In comparison with 1977, the amount of internal value added for the organizations in the experiment increased by 6.0 percent.

The increase in the internal value added index indicates, from the point of view of workers in organizations participating in the experiment, that this index effectively constitutes a favorable motivating and coordinating tool operating on the production structure as regards both production sectors and commercial activity. It also has an important function as a factor controlling material consumption. On the other hand, it indicates that insufficient interest in energy conservation was stimulated.

#### Product Quality and Innovation

In spite of a number of measures orienting the enterprises in the experiment toward product quality and faster innovation activity, no particularly marked changes occurred. The value of new products increased by only 1.5 percent over the preceding year, which gave a decrease from 16.2 percent to 16.0 percent in the ratio between it and the increase in total output. The proportion of new products in the production program increased in only half of the enterprises in the experiment, falling in the others.

Nor does the technical level of production give grounds for complete satisfaction. Of 442 products evaluated in state tests, some 200 were assigned to

the first class; but this involved only four enterprises. In the other seven organizations whose products were tested, not a single product received a quality seal.

On the other hand, the proportion of products assigned to the third quality class increased. While their value amounted to almost 17 million korunas, or 3.1 percent of the products evaluated, in 1977, last year the figure was 131.9 million korunas or 12.5 percent. This unfavorable result was, however, exclusively the fault of Elitex Usti nad Orlici.

Ten products, including eight new ones, received certificates of technical progressiveness from the central technical organizations. The value of these products was 110.3 million, or 4.1 percent greater than last year. The value of technically obsolete products fell from 25.0 million in 1977 to 20.1 million, or almost 12 percent. Three enterprises had them in their production programs.

The restitution picture was generally favorable. Last year the value was 57.5 million korunas (30.5 percent less than in 1977); restitution expenditures decreased from 10.4 million to 9.1 million korunas.

#### Sales

In this area, the experiment stresses final sales, and particularly export. With the exception of export to non-socialist countries, favorable development was achieved in all economic sectors in comparison with both the plan and the preceding year's performance. The low level of fulfillment in exports to non-socialist countries (81.4 percent) was influenced primarily by the municipal enterprise Elitex Cerveny Kostelec, which fulfilled only 9.5 percent of its assignment, and the municipal enterprise Elitex Usti nad Orlici (65.9 percent). The assignments for export to socialist countries, as well as those for internal commerce, were fulfilled by all organizations in the experiment. Only Osinec Kostelec nad Orlici failed to meet its targets for capital investment (64.6 percent); this was on account of non-plan rationalization actions. In comparison with sales increases in the industry of the kraj as a whole, with the exception of exports to non-socialist countries high rates of fulfillment were achieved in all economic sectors.

Difference indicators (the ratio of franco value to wholesale price) are used to measure sales effectiveness in relation to foreign commerce. The export effectiveness measured by these was on the average more favorable in the organizations participating in the experiment than in industry as a whole. However, the plan assignment was not fulfilled; ultimately there was a decrease in comparison with non-socialist countries. The results in this area are worse than for the totality of industrial enterprises in the kraj.

Five of the enterprises in the experiment failed to achieve the planned ratio of franco value to wholesale price in export to socialist countries, and four failed to do so in export to nonsocialist countries.

## Export Effectiveness (franco/wholesale price)

	Actual as of 31 Dec 1978	Fulfillment of plan, %	Index 78/77
Organizations in the experiment			
Export to socialist countries	173.39	96.3	103.9
Export to nonsocialist countries	100.61	[illegible]	98.5
Industry as a whole			
Export to socialist countries	127.56	100.8	104.1
Export to nonsocialist countries	89.24	97.6	101.2

## Financial Management

One of the most important indicators is profitability of production assets. Its development indicates that economic processes were proceeding more effectively in the organizations participating in the experiment than was specified in the plan or than was the case in the preceding year.

## Profitability of Production Assets (%)

	Actual, 1978	Fulfillment of plan, %	Index 78/77
Organizations in the experiment	7.84	105.0	112.0
Industry as a whole	8.90	101.0	106.7

Only Elitex Tyniste nad Orlici (17.9 percent) among the organizations in the experiment failed to reach the planned level, while Sroubarna Turnov (11.5 percent) and Kovofinis Ledec nad Sazavou (2.7 percent) fell below the preceding year's level. A rapid growth was achieved, on the other hand, by Elton Nove Mesto n. Met, TOS [Machine Tool Factories] Svitavy and Pleas Havlichkuv Brod in particular.

The main factor which last year had a favorable effect on profitability was profit levels, which rose 18.4 percent over the preceding year and 6.9 percent above the operating plan. The initial plan breakdown was exceeded by 5.4 percent. An increase over 1977 was recorded by all organizations; only Elitex Tyniste nad Orlici (17.2 percent) did not fulfill its plan.

A factor analysis of the increase in profits shows that the decisive factor in the increase in economic results was decreased material intensity of production. The planned portion of material expenditure in value added was decreased from 65.89 percent to 65.47 percent, a change of 0.6 percent. This decrease resulted primarily from a saving in material consumption. The organizations participating in the experiment had fundamentally better results

in decreasing the material intensiveness of production than the kraj as a whole.

However, the utilization of production assets, particularly stocks, cannot be considered to have been favorable. While the plan called for a 5.0-percent decrease in stocks compared with 1977, they actually increased by 2.8 percent over the previous year. Thus the plan was exceeded by 8.3 percent. Although stock turnover decreased from 119.8 days to 118.7 days, it was 8.3 days off the plan target. Five organizations succeeded in decreasing stock turnover time in comparison with the preceding year, while 7 exceeded their plans.

Fixed assets increased by 6.6 percent over the previous year, which was reflected in the quantity of fixed assets per worker and in increased labor productivity. However, there was a slightly smaller increase in productivity as a result of decreased utilization of fixed assets, 3.2 percent lower than in 1977. This indicates an equipment-intensive type of development, which has been in effect for some time in our economy and is having a negative effect on the development of effectiveness.

#### Wage Development

All the results are reflected in wage trends:

the average monthly wage per worker reached 2,410 korunas;

there was an increase of 0.9 percent above plan (0.7 percent) for all industry;

there was an increase of 3.4 percent over 1977, the same rate as for industry as a whole;

three organizations failed to achieve planned wage levels;

the average annual increase varied from 1.6 percent (Kara Trutnov) to 6.2 percent (Pleas Havlickuv Brod);

the increase in average earnings was 2.5 points lower than the increase in productivity from internal value added.

In terms of the enterprises, the experiment has been predominantly positive. A major breach of its rules, however, is the fact that in some cases stable plan conditions and indices could not be obtained from the superior organs, i.e. long-term economic conditions were not assured. Three enterprises were assigned tasks for the current year only and not for the entire evaluation period to 1980. A correct assignment of economic stimuli for the experiment to the individual production elements is an important political-economic task, and the degree to which the experiment operates in favor of quality and effectiveness depends on correct concrete solution of this problem. Moreover exceptions have arisen regarding the constantly-used indicator of gross output, which in some cases may negatively affect the development of quality indicators.



## Slovak Industries Give Accounting

Prague HOSPODARSKE NOVINY in Slovak 8 Jun 79 p 4

[Article by Eng. Jan Bariak and Eng. Michal Baranik, Candidate of Sciences, Institute of Industrial Economics and Management, Bratislava: "Accrued Experience"]

[Text] The annual results from the economic production units in the SSR Department of Industry (Slovchemia Bratislava, Drevarsky a nabytkarsky priemysel Zilina [lumber and furniture], Ogako Partizanske) make it possible to judge the effectiveness of some of the basic principles of the comprehensive experiment in managing effectiveness and quality. The effectiveness of other elements will become clear only in later years. However, the basic elements in the comprehensive experiment have begun to take effect even in the relatively short term.

Their positive effect has been assisted by the fact that in the preparation stage attention was given to the political support of the entire operation. The economic organs, in cooperation with party and specialist organizations, devoted particular attention to the comprehensive experiment. Aktivs, work discussions and instruction meetings were held, giving political support to the preparation and implementation of the experiment. Evaluation of the initial results shows that this preparatory support was correct. The results show where positive consequences have already appeared and where they may be expected soon.

### Positive Features

The economic production units participating in the experiment have successfully fulfilled their plan assignments for 1978. This has led to the belief that the successes in plan fulfillment were the result of the positive effects of the experiment. There is also the opinion that these successes would have been achieved without the experiment-- for the plan was successfully fulfilled in previous years as well. Closer to the truth is the view that the experiment had a positive effect on plan fulfillment. This is attested to by the following facts:

1. Overall, the economic production units in the experiment overfulfilled their plan with the exception of one indicator. The targets for qualitative indicators were fulfilled with particular success. The difference indicator of export to nonsocialist countries was not fulfilled owing to changes in the breakdown of assignments, with the largest increases coming in commodities with the lowest differential indicators. In addition, one economic production unit (Ogako Partizanske) fulfilled only 99.8 percent of its figure for proportion of new products in overall commodity production. This assignment was an especially demanding one. Practically half of the unit's production was accounted for by new products last year.

2. The economic production units of the SSR Department of Industry which participated in the experiment fulfilled their planned tasks (in terms of the



indicators that were compared) better than those that were not participating. However, in view of the fact that the units participating in the experiment account for about three-fourths of total output, the department was unable to create ideal conditions for them, and they worked under the same conditions as the other economic production units.

3. Since similar tendencies emerged in other departments whose economic production units were participating in the experiment, we may consider that the experiment provides a tool which has had a positive effect on plan fulfillment.

In addition we should also bear in mind that the ground rules of the experiment provide an incentive for the adoption of more demanding targets rather than the overfulfillment of plans at lower levels. This possibility was used by only one production unit. But this fact had a great deal to do with the success of Ogako Partizanske in fulfilling its quality indicators.

The positive results of the experiment and its support according to a line of good political preparation--with the resulting initiative--backed up by enterprise, collective and personal economic incentives, have manifested themselves synthetically in the fulfillment of planned tasks.

The effort to fulfill the plan successfully has also revealed the necessity of deepening certain principles of the experiment and improving those which have further latent potential. This involves such problems as stability of economic conditions, the long-term nature of development, and the procedure for refining, drawing up a balance on and reorganizing plans. It also indicates the necessity of extending the principle of economic self-sufficiency.

#### Increased Quality

It is particularly evident that the experiment has become a method of improving product quality. The economic production units in the experiment systematically focused on greater concern for quality and overall utility of output, not only by implementing a comprehensive quality management system but also by striving to reinforce the pre-production stages, for it is these which are decisive for product quality. Large numbers of workers in the individual economic production units are involved with product quality. This is clearly indicated by the following data:

Economic Production Unit	Workers	Percentage of THP [Technical and Economic Planners]
Slovchemia Bratislava	34	5.2
Drevarske a nabytarske podniky Zilina	40	4.2
Ogako Partizanske	63	9.6

The production units participating in the experiment also succeeded in increasing the number of their products assigned to the first quality class (among those evaluated) and decreased the number assigned to the third class. This advance is even more striking in comparison with the economic production units in the SSR Department of Industry which did not participate in the experiment.

The participating units increased the number of products assigned to the first class by 84 percent, while the nonparticipating units increased the number by only 29 percent. Even more striking is the difference in number of products assigned to the third class. Here the participating units decreased the number by 36 percent, while the nonparticipating units had an increase of 119 percent. To round out the picture, we should note that two of the participating units, Slovchemia Bratislava and Drevarske a nabytkarske podniky Zilina) had no products assigned to the third class in 1978.

The planned output of commodities assigned to the first quality class by state tests was surpassed by all participating economic production units, at an average level of 38 percent.

The assigned percentage of total commodity output in the first class was 30 percent overfulfilled by Slovchemia, 24 percent overfulfilled by Ogako and 224 percent overfulfilled by the lumber and furniture enterprises.

The striving for quality was manifested by the economic production enterprises' economic contribution of a total of 42.5 million korunas to enterprise funds. The largest amount was realized by Ogako Partizanske through increased prices for new styles and luxury products: 39.5 million korunas. Its price increases were 10.1 million korunas higher than the previous year. Price deductions for products assigned to the third quality class amounted to 6 million korunas.

#### Material Expenditures

The effects of the experiment made themselves clearly felt in economy efforts, and in various directions. For example, the economic production units taking part in the experiment saved 629 million korunas in material expenditures in comparison with 1977 and 91 million against the planned level for 1978. This advance decreased the proportion of material costs in total value produced 0.2 percent below the plan level. Since there was also a saving of wage expenditures, the share of total expenses in value produced fell 0.4 percent below the plan figure. This success is the more impressive because the nonparticipating units' material expenses increased by 0.5 percent and overall expenses remained at the planned level.

Favorable results were also obtained in management of stocks. All economic production units participating in the experiment decreased their stock turn-over time. In this connection we should note that one of the three economic production units in the experiment experienced dislocations resulting from inadequate stocks of raw materials as a result of difficulties in capitalist markets. Management was positive as regards finance expenditures. Fines, shortfalls, penalties and losses were decreased. This indicates that the experiment became the concern of a large number of workers.

The Slovchemia and Ogako economic production units successfully surpassed the planned level of productivity of fixed assets by 0.1 percent.

The effects of conservation were particularly felt in the development of profitability of production assets. The economic production units participating in the experiment considerably surpassed the plan levels for this indicator: Slovchemia by 3.8 percent, the lumber and furniture industry by 5.2 percent and Ogako by 18.1 percent. The increased profitability was fostered by the fact that the economic production units realized above-plan profits (synthetic effect of conservation), in addition to the successes achieved in management of fixed capital and stocks.

#### New Resources for Fund Formation

The results of successful plan fulfillment manifested themselves in the fact that the economic production units realized increased resources for creating enterprise incentive funds. For example, they added 23.6 million korunas above plan to the development fund, 5.1 million korunas to the fund for economic stimulation of exports, and 74.6 million korunas to the reserve fund. As a result of wage savings, Ogako added 31.4 million korunas to the bonus fund and Slovchemia 11.3 million korunas. In addition, the bonus funds received money for technical progressiveness, price increases and production quality, as well as interest and payments for export results. After deduction of the funds paid out for lower-quality and percentage sanctions, the economic production units had increased amounts for their bonus funds. For example, Slovchemia had an extra 23.1 million korunas and Ogako 11.6 million.

Favorable results also appeared in the creation of cultural and social consumption funds, which the economic production units participating in the experiment were able to increase by 0.4 percent as a result of higher product quality and by an additional 0.4 percent as a result of export results.

The centralization of the funds in the general directorates of the economic production units enables the funds to play a more active role in economic management. The enterprises have objected that the mechanism for their disbursement and distribution is quite complex. This is particularly the case in utilization of the bonus funds, whose effect is decreased by delays in prompt reaction to the specific requirements of a given enterprise.

The experiment calls for centralization with regard to authorized employment levels in the economic production units. This has led to a simplification of the agenda but not a saving in workers. The recent unification of economic production units and supply and marketing departments in the performance of import and export tasks has turned out well, even though it will be necessary to further refine their joint participation in the results of export.

An active role is being played by short-term [limitny] investments which the economic production units are using for effective and fast investment return. This has also been reflected in plan fulfillment, where all enterprises have somewhat exceeded the plan for short-term investment.

On the basis of these results we may state that even though the experiment is not a finished system and must still be treated as an experiment, it is already serving to improve management and increase conservation. A certain improvement in procedural rules is required. Mastery of its advantages is only slowly becoming part of the work rhythm. After the initial problems to which every experiment is subject are overcome and the rules for intra-enterprise management are improved, it will be a good starting point for expansion of the system of management, which will make a great contribution to increased effectiveness in future years.

#### Good Results at Plant Level

Hradec Kralove POCHODEN in Czech 30 May 79 p 3  
[Article: "Good Experiences at Gumokov"]

[Text] Among the leading enterprises in the Hradec Kralove area is the Gumokov National Enterprise [Czech Rubber and Plastic Works, Gottwaldov], which has recently been experiencing great success in fulfilling the qualitative indicators of the 1979 plan. Also of high quality is the work of the District Committee of the Czech Communist Party, which is performing all the tasks assigned to it. A new type of plant leadership is successfully taking shape. The good results achieved by the workers of Gumokov are unquestionably influenced by employment of the principles of the experiment in management of effectiveness and quality, whose testing was begun in 1978. The experience of the experiment was discussed at a meeting of the presidium of the CSC District Committee in Hradec Kralove which was held at Gumokov on 23 May 1979.

The principles of the experiment were well worked out for the economic production unit and the enterprises by the ministry. The enterprises were allowed more freedom in working it out for lower management levels with reference to their own situation. Gumokov has begun to effect a gradual change in the thinking and approach of economic workers as regards effectiveness. This is apparent in the fact that considerably more attention is being devoted to programs of quality improvement, and is also being concentrated on more precise preparation of annual and operating plans and their uniform fulfillment.

It has been possible to increase workers' and party organs' awareness of and interest in the experiment and, by means of various types of mass political work, to increase worker participation in its management. The economic instruments of the experiment have created suitable impetus and incentive to effective management and quality, which opens further areas for influencing and directing the economics of the production sections and accordingly of the enterprise.

Since 1 May 1978, an important indicator used in evaluating the experiment, namely internal value added, which was modified for the production centers into an indicator of shop value added, has been used in the bonus councils. Another important indicator, that of profitability of production assets, which evaluates fixed assets and the use of raw materials in terms of profits, was modified and recommended for both production and non-production centers and since 1 January has been evaluated in an approximate manner. On the basis



of accumulated experience, starting on 1 January this indicator has been used in the award councils. The indicator of profitability of production assets has had the effect of stressing the necessity of eliminating obsolescent and work-out production equipment while using progressive machinery in multi-shift operation.

In the area of product quality, attention has been concentrated on the number of substandard products and rejects. Overall, the reject level was decreased by 6.5 percent from last year, representing a saving of 770,000 korunas in commodity production (i.e. half of the year's target) and a saving of 0.3 percent on material expenditures.

The stress on quality has manifested itself among the workers primarily in its specific application to incentives and awards. One of the multi-skill efficiency brigades last year divided up more than 12,000 korunas for the results it achieved. The impact on quality has manifested itself in all departments, and losses from substandard production and rejects have been decreased in all of them. The improved results in product quality, and also in the quality of production preparation, labor organization and production management in the broadest sense are a basic cause of the good results attained during 1978. This is a convincing demonstration that the experiment in effectiveness and quality has been correctly understood in the Gumukov enterprise in Hradec Kralove.

The experiment has results in more thorough preparation for 1979 and is leading to higher-quality management. The degree of improvement of management and organizational work was apparent in the preparation of the plan, in organizational work in January and in the commencement of work, and in spite of considerable latent potential it is a basis for deepening the effectiveness of the economic experiment.

The plan for the first 4 months of 1979 was 101 percent fulfilled. The level of internal value added and its fulfillment were 104.6 percent, profitability of production assets was 113 percent, and materials conservation was 96 percent. In the first quarter, the enterprise did 25.6 percent of its annual plan, and on 1 May Gumokov's workers were able to boast of fulfilling their target.

Under the conditions of the Gumokov enterprise, the experiment is creating a more demanding atmosphere and greater economic impetus in every area of management and organization. It is creating further possibilities for improving planning and increasing responsibility which hitherto had not been brought into play. It has had a positive effect on the development of output quality indicators and on material expenditures, with the possibility of using consistent economic incentives for the results of work. With proportional and optimal planning, improved results make it possible to apply positive and negative economic incentives to workers. It has become clear in the course of the experiment that this possibility, when correctly used, is most effective in bringing about changes in effectiveness and approach to work.

The experiment reinforces the principle of favoring the creation and fulfillment of mobilization plans rather than the overfulfillment of soft plans. It has improved the approach to fulfillment of the entire breakdown of the plan and has limited the tendency to pursue the fulfillment of commodity output indicators by making internal value added the limiting factor.

The most important shortcoming is that the economic experiment was not centrally developed for economic units lower than the enterprise. The enterprise must meticulously consider and develop a procedure. In the meantime, planning for the production shops by means of the internal value added index is only an imperfect modification which must be constantly refined. The same is true of the indicator of profitability of production assets as modified for shop conditions.

As the meeting of the presidium of the CSC District Committee presidium in Hradec Kralove stated, the experiment is a long-term process, and in spite of certain positive results in its implementation in Gumokov it has shown that the areas in which it was developed still contain potential for deepening its effectiveness. In addition, many other areas must be brought within it after thorough analysis.

Given good preparation and motivation, consistent political and organizational support and continuous monitoring, the experiment will produce the expected results. In any case, it is creating greater economic impetus and increased demands on political, organizational and management work and greater financial incentive, together with increasing effectiveness of worker participation in management.

9427

CSO: 2400



NEW AGRICULTURAL BULK TRANSPORT CONTAINER

Prague TECHNICKY TYDENIK in Czech No 18, 1 May 79 p 12

[Article: "Greater Output And Labor Hygiene; Rapid Bulk Transport And Application Of Fertilizers To Soil"]

[Text] In the Milevsko factories for the production of air technology apparatus, a collective of workers led by Engr Vaclav Rayman developed, tested and introduced in 1978 into mass production the PAH 148-118 road container on a T 148 PPRH 32 chassis.

It is designed for the bulk transport and spraying of dry, loose and nonsticking powdered materials with a bulk mass of 1,100 kilograms per cubic meter. It is especially suitable for ground limestone and ground steel slag, which are well-known fertilizers in agriculture.

The transport container makes possible these loading and handling operations:

- filling by free pouring;
- pressurized filling;
- pressurized emptying into storage container;
- pressurized emptying and spraying, in motion, with adjustable intensity of spraying.

It has a prepared weight of 12,200 kilograms, an effective weight of 9,800 kilograms, an effective volume of the pressure vessel of 9 cubic meters and makes possible a maximum working pressurization of the pressure vessel of 200 kilopascals.

During output tests, under normal transport conditions, the following handling times were achieved: filling by free pouring, 20 to 25 minutes; pressurized filling of the road container from RAJ railroad car, 17 to 19 minutes.

The filling and emptying of the road container with spraying took 61 to 74 minutes and was composed of these operations (time in parenthesis): pressurized filling (17 to 19 minutes), trip to property and return, about 10 kilometers (24 to 30 minutes), spraying (20 to 25 minutes). At the same time, 4 to 5 hectares were fertilized with the contained dose of limestone or slag, 2 to 2.5 tons per hectare.

In comparison with a foreign product, the D032 spreader of industrial fertilizers, a product of VEB LMB Barth, GDR, the work involved in the transport and spreading of fertilizers is substantially lowered from 0.74 hours per ton to 0.12 hours per ton. Savings in costs for packages and packaging reach Kcs 24 per ton of fertilizer, losses have also been lowered on handled material, for these materials have caused losses of Kcs 2.50 per ton, given 2-percent losses due to damage to the paper packages and the remains in them.

Transport with the road container makes possible an increase in interchangeability, independence from the workforce in filling and application to the soil, significantly improves working conditions and the environment, reduces injuries and physical effort and raises the quality of the surroundings and the hygiene of work.

With its gradual introduction, a lack of technical means of transportation for agricultural tasks is being eliminated and favorable conditions for an increase of the per hectare yield of grains are being created.

The apparatus is the subject of a competitive entry in the first nationwide competition for the rationalization of handling, transporting, packaging and storing, toward greater productivity and effectiveness of labor, announced for 1978 by the Federal Ministry for Technical and Investment Development.

9276

CSO: 2400

CSIKOS-NAGY DISCUSSES 1980 PRICE ADJUSTMENTS

Budapest FIGYELO in Hungarian No 25, 20 Jun 79 pp 1, 4

[Article by Bela Csikos-Nagy: "The 1980 Price Adjustment," first in a series based on section lectures at the 18th Economists' Congress]

[Text] The guiding principles which have been adopted for the long-range development of the price system can be summarized as follows:

--Making preparations for a value proportional consumers' price system. In a value proportional price system consumers' prices can deviate from the ratios of the producers' prices only to the extent justified by social preferential or prejudicial differences. At this time the price differences affect a very broad range and the consumers' price system strengthens irrational aspects of consumption.

--Creating an organic link between domestic and foreign trade prices. This is the natural consequence of the fact that in an economy which is sensitive to foreign trade efficiency can be measured only by international competitiveness. The hypothesis here is that "domesticating" the foreign trade price will have an effect on domestic production costs, which sometimes are very high, and may facilitate a swifter than average development of efficient production activity and effective changes in the production structure of the people's economy.

At this time the ruling form is normative production cost price formation. In this price system the profit rates develop "arbitrarily." The relative profit rates of the various sectors do not indicate their relative efficiency. Under conditions of systematic over-demand the problem with this type of price formation is that increases in the prices of materials do not force thrift because the costs are passed on.

--Reinstating a two-level price system. In a two-level price system the producers' price level is considerably lower than the level of consumers' prices. In this way a significant part of the social net income falls between the producers' and the consumers' price levels and can be realized in the form of turnover taxes burdening consumer goods.

The two-level nature of the price system ended in 1975-1976 in connection with the end of budgetary price supports for imported fuels and raw materials. A "negative" two-level situation arose in our price system.

--Increasing the flexibility of the price mechanism. We must regard it as a basic requirement that the orienting function of prices in rational economic decision making should not be limited to one day or price adjustments but rather should remain effective continuously; prices should not "grow old"; price changes should express changes in expenditures, in foreign trade prices and in the value judgment of the domestic market.

The present price mechanism, with the simultaneous utilization of fixed and free prices, cannot meet this requirement adequately.

Our economic situation requires that where possible and to the degree possible the long-range guiding principles approved for the price system should be put into practice in the near future.

#### Export Prices or Import Prices?

Conversion to value proportional consumers' prices was posed as a requirement for the first time by the economic reform of 1968. It was stated at that time that everyone should pay as much for the product purchased as it cost.

The price preferences recommended for abolition were listed in two groups. In the first were those which affected only Hungarian citizens, such as rents or travel supports and some services. In the second group were listed those which were linked more organically to foreign trade or to invisible export, such as tourism. Those more important here are energy, fuels, chemical goods and foodstuffs. It was the opinion that within the framework of a general price system we should attempt to abolish--at least in part--those price preferences which had a significant link with foreign trade.

The chief characteristics of the price system planned for introduction in 1970, that is the new aspects deviating from the previous ones, were:

--to make general in the domestic valuation of natural resources (fuels and raw materials) an adjustment to the current non-ruble accounting import price;

--and to make general in the domestic valuation of finished good manufactured in the competitive production branches an adjustment to the non-ruble relationship export price.

We wanted to provide a foundation for an accommodation to the non-ruble relationship export price in the valuation of finished goods manufactured in the competitive production branches by making use of an export efficiency index. Since the economic reform of 1968 every production branch and enterprise which is interested in export has regularly reviewed how many forints it costs to produce a unit of foreign exchange. The producers' price level

can be defined on this basis and can be controlled as a function of the change therein. The idea was that the export price level for each enterprise would control the producers' price level while the price ratios for individual products would be controlled by domestic supply and demand relationships.

It might be proposed that the import price, rather than the export price, should control the price level. This proposal might be based on the idea that in many cases developmental policy has created enterprises or branches of industry in order to save on imports. But under conditions where there is a considerable price difference between what we are willing to pay for a product in the case of import and what we are willing to accept in the case of export there is a theoretical justification for the export price to be the general controller of the price level. In the new price system the primary orienting factor should be a structural policy which economically expands export potential. We must eliminate as soon as possible those irregularities appearing in export price policy. And we must adopt those production development and marketing policy procedures which make possible the realization of a rational export price.

#### The Norm: A Competitive Price

Within the framework of the development of the price system great emphasis was given to the study of how we could put an end to or at least reduce those factors in the development of production cost prices which encouraged the waste of energy or material in the non-competitive production branches. On the basis of such thinking a decision was made to base price formation--wherever possible--on making prices proportional. Price proportionalization is a price formation principle which can be applied among kindred articles or articles which can take the place of one another. Price policy has used this method even before now. It is generally characteristic of consumers' price formation. It can also be presumed in the case of consumption by producers that when a choice is possible preference will be given among those tools of production which can take the place of one another to those for which the relative price is favorable, in accordance with the principle of cost minimalization. In the case of over-demand, however, the interests of the consumer will not be realized because the producer has the advantage. Thus, for finished goods, producers' price formation is based on three types of prices--competitive, proportional and normative production cost prices.

From the viewpoint of international competitiveness there are considerable differences at this time between industry and agriculture. Disregarding a few production branches, competitive price formation can be introduced in industry but it cannot be used in agriculture.

In Europe the intensive development of agriculture is possible only at a deficit, if we regard world market prices as definitive. This explains why, in Western Europe, the Common Market has adopted a common agricultural policy which uses prices based on expenditures. But the European regional world market price is realized only in internal Common Market trade. CEMA does



not have a common agricultural policy. At this time--under these conditions--it is not possible to use competitive price formation in the agricultural sector.

Studies show that competitive price formation could be introduced in branches making up 70-75 percent of industrial production. This does not mean that conditions for competitive price formation are already ripe along a broad front in industry; it means only that this price formation could be the base for normative financial regulation. From this point of view normative financial regulation can be interpreted as meaning that the norm is the competitive price and that the exceptions are temporary and programmed. This means that there will be branches of industry (or enterprises) where the producers' price level will be adjusted to the export price level in a consistent way in 1980 whereas for others price preferences will give a grace period or prejudicial prices will set limits.

In the price adjustments for 1980 this correction will be realized in such a way that the upper limit of the average branch of industry profit rate which can be achieved will be, for example, 15 percent in metallurgy and the machine industry while the lower limit of the profit rate which can be temporarily tolerated in branches which would otherwise operate at a deficit (for example, in light industry) will be 2 percent. The price mechanism must function in such a way that these prejudicial and preferential factors will gradually disappear.

The price formation method adjusted to the export price will be applied to the list of competitive branches independent of whether this or that enterprise does or does not export in the non-ruble relationship. For those enterprises which have no export an average foreign exchange generation index for the branch of industry will be published centrally and the price level will be regulated on this basis.

There is a debate, in connection with the price formation method adjusted to export price, as to how to gradually eliminate the preferential and prejudicial price factors. One way would be to put forward an efficiency improvement requirement. Another way would not put forward such an obligation but would be based on the interest of the enterprises, for example, dividing up the efficiency improvement in an 80/20 ratio between reduction of the price preference and an improvement in the initial enterprise profit rate. One might object to the latter that as a function of time a branch of industry would get into a better position if it was using price preferences when the price level was initiated than would a branch of industry which did not use such preferences at the beginning.

The close link being developed between export efficiency in the non-ruble relationship and the average branch of industry profit rate puts a new light on the problem of uneconomical export and export volume in general.

We find ourselves faced with the complex problem that on the one hand we have an interest in ending uneconomical export while on the other hand we



have to produce a certain volume of foreign exchange in the interest of financing imports. Studies are still being conducted to see how we should build an export volume requirement into the dismantling of price preferences or, where there are no price preferences, into a system of price level increases based on the automatism of efficiency improvement.

The 1980 price adjustment reckons with about a 2 percent decrease in the producers' price level or, within this, with roughly a 4 percent decrease in the industrial producers' price level.

In reducing the producers' price level (especially in industry) a role will be played by the elimination of the 5 percent charge on assets and by a reduction from 34 to 17 percent of the general burden on wages (the combined weight of the social insurance contribution and wage tax). The lost taxes will be compensated for by increasing income from the turnover tax and by decreasing price supports.

#### The Effect of the Modified Tax System

The changes in the tax system will modify the relative price of production factors. As a result of eliminating the charge on assets the price of machinery will become about 30 percent cheaper as compared to wages.

Moderating enterprise profit rates will play a role in reducing the producers' price level. In the present price system profit is roughly 15 percent of the net value of assets. With the initiation of the new price system this will fall to about 6 percent. We must make this reduction because only in this way can we produce harmony between the self-financing ability of the enterprises and the conditions for expanding production, which have become more difficult for us.

The 4 percent reduction in the industrial producers' price level will be realized by reducing by an average of 8 percent the producers' price level for industrial products while increasing the price level for materials by 15 percent, and by 30 percent for fuels therein. In those branches of production where competitive price formation is introduced this will simply "force" increased thrift in energy and materials. Attention is now being directed to how one can achieve on the broad front of social production--where normative production cost price formation will remain valid--a reduction rather than an increase in waste as a result of the increase in the relative price of materials, and especially of energy. Studies in this connection are especially important in the construction industry.

The price adjustment is taking place on the import energy and materials prices valid in the non-ruble relationship in 1977 using a conversion coefficient of 38 forints to the dollar. There has not yet been any decision in regard to the rate of exchange when the new price system is introduced. A crucial factor in this regard will be the development of the export-import price level in the non-ruble relationship in the period 1977-1980.

When a country adjusts to the world market price the price of the natural resources constituting the basis of the calculation it has a certain degree of freedom in determining rates of exchange for in such a case the rate of exchange is one of, perhaps the chief, regulator of the price level. The low price flexibility of our foreign trade in the non-ruble relationship also suggests that we should put rate of exchange policy primarily in the service of price stability and not in the service of encouraging export.

### Flexibility and Stability

In the new price system the simultaneous realization of flexibility and stability must constantly adapt to changes in the external economy and in the domestic market conditions of the people's economy. The system of tools for this is manifold and complex. The chief factors of it are the following:

- An enterprise price difference reserve account for primary materials and a primary materials fund for primary materials price formation.
- Prescribing an obligation to make prices proportional to export prices in competitive areas.
- Joint use of fixed and free prices.
- An obligation to report in advance any price increase for primary materials and basic semi-finished goods listed in the free price form.
- An obligation to prepare calculations.
- Placing on new foundations price measures pertaining to unjust profits, bringing them into harmony with the requirements of the new price system.
- Increasing the effectiveness of price supervision.
- Utilization of the price insurance institution.

Disregarding a few exceptions, these tools have been used since 1968. We have come to the following conclusions in connection with the studies thus far:

The obligation to report in advance an intention to increase prices in the free price form can be maintained in its present form. There is agreement that in regard to free price primary materials and basic semi-finished goods the chairman of the National Price Office should have the right of veto, postponing the increase for up to 3 months.

No change is needed in regard to the obligation to prepare calculations.

In regard to price supervision it is worth emphasizing that judgments of a price policy character (adjustment to foreign trade prices, the obligation to make prices proportional, etc.) are getting an increased role in such activity. For this reason the apparatus built largely on experts trained

as sworn auditors must be strengthened, if possible, with experts conversant with foreign trade and having economic and price policy information.

The sanctions used in connection with price supervision should continue to be used. The price insurance institution should be maintained although so far it has not been used.

At the same time, essential modifications or the utilization of new elements is necessary in a few respects in regard to the system of tools.

The fixed price for fuels makes it possible to modify the domestic price, in the event of changes in their import prices, with suitable preparation and in an organized way. Raw materials will have free prices but it would be useful to distinguish the development of production costs from the current, contract prices. With the elimination of fixed prices for raw materials it would be desirable to use enterprise price difference reserve accounts for a relatively broad range of import materials. The function of the account is to make possible an independent enterprise price policy and to blunt the seasonal and business cycle import price changes (but not the explosive price changes). Thus the account is a tool to even out import price changes and to spread out business cycle price changes.

Since the prices of fuels and of raw materials will be adjusted to capitalist imports a fund will be generated in the case of domestic production and socialist import. In the case of fixed and free price materials an obligation to make payments from this fund and a mechanism for changing it should be established so as to even out those cost differences which derive from the different characteristics of marketing policy for ruble and non-ruble relationship import.

#### Counting on an Increase in Efficiency

The functioning of the price of a product as a balancing price and the adjustment of price ratios within product groups in accordance with supply and demand relationships will require greater flexibility than at present from the price mechanism. Agreement has developed in the following:

- a. Maximum price forms must predominate in fixed prices.
- b. In 1980, or within the next 2-3 years, the ratio of trade in fixed prices must decrease from 55 percent to 40 percent for commodity trade by the populace.
- c. The fixing of industrial producers' prices is justified only for basic fuels and for electric power.
- d. No stand has been taken in the question of the construction industry price mechanism. Within a few years it would be useful to use the system introduced in 1968 for the construction industry price mechanism; this would mean free price formation for 60 percent of construction industry production.

e. It has been agreed that it would be useful to maintain the present price mechanism in the area of transportation and communications and in agriculture.

The price mechanism recommended regards an increase in the efficiency of production as the number one price stabilizer. It will thus become possible to link the common movement of producers' and consumers' price ratios by means of a normative turnover tax system. The changes which take place in producers' prices must be followed in the consumers' prices too as this is the only way in which consumption will have an effect on production. It follows from the structure of the system that an increase in the consumers' price level becomes problematical if, because of backwardness in increasing efficiency, unforeseen inflationary price increases take place in the producers' prices.

It is not yet entirely clear to what extent the new system will be able to induce changes in the consumers' price level during the year. It is probable that in the new price mechanism it will be possible to plan the magnitude of price level increases in the price plan only with "from-to" limits.

8984

CSO: 2500

POOR QUALITY, SHORTAGE OF CONSUMER GOODS DISCUSSED

Budapest NEPSZAVA in Hungarian 17 Jun 79 p 3

[Report: "From the Quality of Boilers to Selective Development"]

[Text] The public is already awaiting, with traditional interest, the next broadcast of TV's "We Ask the Minister." In the last program, Istvan Soltesz, minister of metallurgical and machine industries, answered some viewers' questions. Of course, not every one of the several hundred questions arriving by telephone and by mail could be dealt with during broadcast. We have sought answers from officials of the Ministry of Metallurgical and Machine Industries [MMMI] for those, among the questions left out, which have the greatest public interest.

[Question] Why is there a shortage in Minimat and Midimat automatic washing machines, and when will they be available "above the counter" as well? (Many persons asked this.)

[Answer] Ten times as many automatic washing machines will arrive in the stores this year than in 1975. If, in spite of this, there is a shortage, it is caused by the fact that they are very popular and demand increased much more than production capacity. At present, 50,000 are made of both models, half of which, according to license contracts, are made for exports. Production will reach 100,000 within 2 years and a substantially higher number will reach the stores.

[Question] The tanks of electric water boilers wear through extremely fast. Why aren't boilers of better quality made, ones that last longer? (Again, many inquired by telephone.)

[Answer] In the last few years, electric boilers with active anodes have already been manufactured. This device, in most cases, prevents the formation of scale by active salts in the water. After a certain time, however, the anodes are used up and thus they must be replaced, depending on the hardness of the water, about every 2 years in order to assure a continuous protective effect.



## Esteem of the Standing Staff

[Question] Why aren't the standing staff members working at the same place for a long time, esteemed more highly?

[Answer] Company regulations regarding the standing staff specify the rights and duties of members. The practice is many-sided. There are companies where there is a specified annual bonus; other companies recognize to a higher degree the length of service at the yearly share of profits. In addition to this, several companies give larger bonuses and gifts. According to our experiences, the esteem of the standing staff is adequate. It is a problem, however, that often only the number of years, but not the quality of the work, is recognized and thus those whose performance leaves much to be desired also receive the benefits. In our opinion, primarily those workers should be honored who work hard, regardless of how long they have worked at a company.

[Question] What is the ministry's concept of developing tool production? (Gyula Samik, Danuvia Tool Factory.)

[Answer] In order to alleviate the difficulties in present tool supply, a long-range development program of manufacturing cutters, nonchipping tools and hand tools is being drafted. The ministry views the development of tool manufacture--as a technological background--as one of the basic conditions for developing the machine industry. Thus it deems necessary to realize the most dynamic version of the alternatives of development. This program is built primarily on the development of specialized tool-manufacturing companies. The MMI passed the development program over to the National Planning Office for its contents to be given consideration in drafting the Sixth Five-Year Plan.

## Lead Manufacture and Health

[Question] Why is it necessary to manufacture lead again at the Metallochemia of Nagyteteny? If lead is needed, why isn't it manufactured away from residential areas? There was a lead poisoning in the factory 2 years ago. What measures are being taken to prevent further poisoning? (Question of Mrs Karoly Tolnay and Miklos Ladzianszky from Nagyteteny).

[Answer] As of January 1978, the KOJAL [Public Health and Medical Clinic for Contagious Diseases] stopped the manufacture of lead in the Nagyteteny plant of the Csepel Metal Factory. Since then, their activity is restricted to scrap preparation and manufacture of semi-finished products containing lead, and this has no polluting effect outside the factory. The processing of scrap lead for batteries, which is dangerous to public health, will be done in the GDR until 1985. The health situation has, as a consequence, significantly improved. In the past 2 years, diseases related to lead have been disappearing in the Nagyteteny plant as a result of KOJAL's strict control of measures in labor safety, technology and health.

[Question] When will Hungarian-made hoeing machines be available in the stores? (Dr Zoltan Orosz, 221-573)



[Answer] The Iron and Metal Industry Cooperative of Szeged manufactures hoeing machines for household farming plots. Its production this year is about 3,000 units, and its capacity can be increased to 6,000-8,000, depending on the acquisition of the necessary engines from capitalist imports. Negotiations are in progress with Yugoslav manufacturers about importing small universal, single-axle tractors and accessory attachments. If these negotiations prove to be successful, then Yugoslav small tractors, made on the basis of a Honda license, will also be available in the stores in the near future.

[Question] There is a permanent shortage in cementing and machine elements, in screws and in technical gaskets. How is it intended to stop these shortages? (Ferenc Bognar, 262-971)

[Answer] The ministry has already made efforts to alleviate the shortages that without doubt exist. Unfortunately, not all of the parts mentioned could be substituted by domestic development and the rest meant liabilities for the national economy in foreign exchange that resulted from significant capitalist imports. The ministry included the solution of supply of the products in question, with maximum exploitation of the possibilities inherent in socialist integration, among the fundamental tasks of the Sixth Five-Year Plan. The complete elimination of shortages, however, requires at least 10 years, primarily because demand in certain products (pneumatics, hydraulics, special cementing elements, etc) has significantly increased in the past years, and the necessary production capacity cannot be reached at once because of a lack of investment funds.

[Question] May the quality improvement of forged and cast products be expected? (Asked from telephone station 650-733)

[Answer] The quality of products of the machine industry are greatly affected by the quality of the semi-finished products mentioned. It is characteristic of most of our foundries and forging plants that they work with outdated technologies and equipment, their production is below the international level and their average products are of inferior quality. In the case of certain selected products, the MMI is monitoring the trend in quality and is requiring companies to implement the measures directed for the decrease of waste. Consequently, a slow improvement in the quality of semi-finished products is perceivable. A significant improvement of quality will come about primarily in new or reconstructed plants with up-to-date technological equipment.

#### The Rejected Inventor

[Question] Is it possible that radiators are made to last only 5 years? The heaters in our cooperative apartment wore through after 5 years and had to be replaced at the expense of the residents. (Pecs, telephone number 18-001)

[Answer] The MMI companies manufacture radiators from cast iron, steel plates and aluminum. The practical life in all 3 types significantly exceeds the 5 years in question. To our knowledge, most problems come about in radiators made

of steel plates. The Danube Iron Works gives a 5 year warranty for these heaters if they are operated according to the manual. Under proper operation, the life of these radiators should be 15-20 years.

[Question] Certain plants will not manufacture their older products and recommend importing them. But this is damaging to the national economy. Are any measures planned to regulate this? (Pal Kovacs, 382-526)

[Answer] The essence of selective industrial policies is precisely not to manufacture everything but to produce, on the basis of international cooperation, primarily what is economical to manufacture in large-scale production. This is beneficial precisely from the standpoint of the national economy and will not scatter the possibilities of development. The methods of discontinuing uneconomical production were regulated by the National Material and Price Office. Accordingly, a company cannot arbitrarily discontinue the manufacture of a product without first reconciling its intentions with the interested companies and ministries. Production may be discontinued only if an adequate import can be assured, i.e., if foreign-trade companies undertake the acquisition. New regulations are, therefore, not needed.

[Question] It is known that there are not enough night switch clocks. Three of us have made a completely electronic switch clock which was accepted by the Electric Company. In spite of this, the producer rejected us although, to our knowledge, the Godollo Electric Meter Factory wants to buy a West-German license. The question is, why do we buy a foreign license when there is a domestic construction that would be suitable? (Istvan Szirak, Budapest XV, Korakas park 53)

[Answer] The Ganz Instrument Plant, which manufactures night switch clocks, does not know about Istvan Szirak's construction. The Godollo Electric Meter Factory has, since then, received the representative of Istvan Szirak and the Electric Company Trust for the purpose of learning about the technical details of the electronic night switch clock.

9414

CSO: 2500

## ENERGY WASTING PRACTICES SCORED

Budapest ESTI HIRLAP in Hungarian 28 Jun 79 p 3

[Article by Laszlo Horvath: "Billions Wasted in Material and Energy. Heat Is Flowing Into the Streets. We Need Stricter Controls"]

[Text] The letter came from Kiskunhalas.

The caretaker of 10 buildings--which is already a smaller development--complains that heating costs much more than expected. He writes that the investor promised something better.

An associate of the National Authority in Energy and Energy Security Technology had just departed to the lowlands. He went through each of the 10 buildings, he spoke to the tenants, he examined all of the equipment, and as a result now no one can tell him anything about the wasting and the squandering of energy.

### It Can Be Regulated

The 10 buildings have a common heating system. It is from there that the hot water starts in pipes and sequentially flows through all of the 390 apartments in the 10 buildings. Those that come first naturally get more water, and it is much hotter there. In the last buildings, however, the "hot water" is already cold. These are the ones who complain the most. What can the man in charge of the central heating plant do? He pumps more hot water into the pipes. And so the radiators finally reach 20 degrees Centigrade /68 F/. But by this time in the first building the heat has reached 38 degrees Centigrade /108 F/. But this is no problem. They are not complaining.

In the basement of each of the buildings there is a valve. By turning this valve one can control the water-flow in the pipes, and thus the temperature. After the construction of a new building is finished, one must, or rather one should have re-regulated this equipment. In this manner one could reach 23 degrees Centigrade /75 F/ in both the first and the last of the homes with half as much water. But then it is easier to write a letter than to fool with the valve.

## It's Very Expensive This Way

How many among the many hundreds of thousands of apartments in such developments have the desired 20-30 degrees Centigrade /68-75 F/? We fear that many of them are colder, and many of them warmer. Or to be more precise: few of them have the correct temperature. In many developments there are 8-10 Centigrade /15-18 F/ degree differences among apartments. At the western end of the Ormezo development, for example, the tenants are scolding the technicians because of the cold, while in the east, that is sheltered from the winds, they can hardly take the heat even in shorts and undershirts. It's not the tenants who are at fault. On the colder side they could put more radiators into the buildings, as well as thermostats on each floor or perhaps even in each apartment. Even so, with careful work, those in charge of the heating centers could save many millions. Today the heat still flows under very little control into the apartments, and the warped windows and badly fitting panels are virtually blowing it into the streets.

On a morning program a bricklayer foreman was talking on the radio about the conservation of materials. He claimed that they were using a piece of board five times over again. But what about quality? It was hardly mentioned. Perhaps the construction companies make more profit on five times re-used lumber, than on a carefully fitted window. They hand over the apartment, and if there are no "preventive conditions" against habitation, the happy owner moves in. This in effect means that if there are doors, windows and floors, and the wall is painted, then the apartment is habitable. That your child's hands can reach between two panels, that in the fall the wind can blow your hair apart even inside does not seem to be "preventive conditions." But these are very expensive things both for the tenants and for the national economy. The financial losses attributable to the heat-outflow from the apartments can only be measured in billions.

The construction industry is wasteful. Aladar Bodecs, Deputy Director of the National Authority on Energy and Energy Security Technology supplies us with numerous examples.

Five years ago every large enterprise worked out a plan for material and energy conservation. During the first year in 1975 this amounted to over two billion forints of savings for the national economy. But this sum is declining year after year. They have ended the most obvious wastes; they have concluded more favorable agreements. It is natural, therefore, that they were unable to save as much every year. But today it is already clear that not every saving represents profit for the national economy, as it does for the individual enterprises.

A few examples should suffice. A company has switched from fuel oil to heating oil, and thus saved a thousand forints per ton. This profit is attributable only to the fact that the price has hardly anything to do with the value, and thus this "profit" is not a profit for the national economy.

Many companies have now contracted for less electrical energy. They have never really used the requested amount, but they still paid the higher base price on the consideration that it's better to be certain. Thus this change represents no profit for our economy.

#### Among the Largest Users

It's worthwhile to talk about the future also.

There is now a governmental directive which proscribes that the largest users must terminate their losses. This work is still continuing, but it is already certain that a three billion forint investment for more modern, less wasteful equipment, and for better administrative methods would be returned in 1 or 2 years.

How much richer would we be in 10 years if we would honestly strive to conserve in all areas of human activity?

We could measure that only in the tens of billions.

These are the mosaics of wastefulness. Everyone could mention such examples from his own surroundings. We are shockingly careless with the most valuable of things, energy, which is the basis of all work and all production. For years, the richest countries of the world have functioned under the strictest control. Our own approach can hardly be labeled strict.

92/1

CSO: 2500



HUNGARY

STATE SECRETARY DISCUSSES DETERIORATION IN STOCKPILE MANAGEMENT

Budapest MAGYAR NEMZET in Hungarian 19 Jun 79 p 9

[Interview by Istvan Vig with Dr. Adam Juhasz, State Secretary of the Ministry of Heavy Industry. Date and place not given.]

[Text] The inventory management of industrial companies deteriorated in the past year. One of the most unfavorable phenomena of company management is the extensive increase of stockpiles. The total accumulation of materials between 1976 and 1978 is, in all production branches, only 1.6 percent smaller than the increase of price income. Most of the accumulated stocks will be, hopefully, utilized in this year's production. Such statements were noted on the two-day parliamentary summer session. The accumulated materials, semi-fixed assets, finished or semi-finished, and incomplete products amount to large sums in the nation's economy; they are extremely unbeneficial to our society if not utilized.

[Question] We had a conversation with Dr. Adam Juhasz, State Secretary of the Ministry of Heavy Industry, about the stockpile management of branch companies and about things to be done.

At the Level of the National Economy

[Answer] I want to stress: inventory management is connected with many factors, said the secretary in the introduction. It is part of organization which is a primary company task, but I think, nevertheless, that the other side of these, namely, the requirement system of organization at the level of the national economy, must also be put on the agenda. We condemn the management organizations, but they are not the only ones responsible. A prerequisite of the success of company organization is organization at the level of the national economy.

[Question] What organizational tasks are you thinking of?

[Answer] Material supply and inventory management are not only company categories; they are connected with carrying out delivery contracts, with internal cooperation, and with industrial services. The interruptions in,

or a lack of, these create continuous difficulties; this was repeatedly mentioned at this week's parliamentary session by Dr. Lajos Faluvegi, Minister of Finance, in his statement. The lawmakers also brought it up but no decision was made about a permanent solution at the level of the national economy.

[Question] We have interjected the question: Let us take the present condition of material supply. How could continuity be achieved simultaneously with preventing an extensive accumulation of stocks?

[Answer] A constant complaint of companies under the jurisdiction of the Ministry of Heavy Industry is the stalling of material supply; at the same time, stockpiles are increasing. If we look at the degree of stocks accumulation, it will be apparent that, when calculated in national income units, our stockpiles are twice as large as the average stockpiles in developed industrial nations. I will mention an even more exact datum: in the developed industrial nations, a 1 percent increase in national income will entail only a 1/2 percent increase in stockpiles. In our country, this ratio exceeds 1 percent. The cause of difficulties in material supply is not an inadequate stockpile but the fact that it is not located where it should be. Two thirds or three fourths of the stocks reach destination, the rest remains at the warehousing companies. The correct ratio should be the reverse. This necessitates national organization.

#### The Way of Solution

[Question] We have asked again: There were measures taken in order to decrease the stockpiles, and it is expected that most of them will still be used this year, but what will happen next year? Will there be further instances of "hoarding", as the director of one of our chemical factories put it in the Parliament? What would be the right solution to prevent repetition?

[Answer] In my opinion, the materials should be stored at the stockpiling company, and not where they are used.

For this reason, factories and companies are compelled to stockpile the materials and face the repeated criticisms and financial burdens. It is well-known that in our country materials necessary for production must generally be ordered one or one-and-a-half years in advance and when these arrive, they are stored, although it would be much more simple--and more economical from the national economic standpoint--if they would reach the stockpiling enterprises. The Chemical Capital Equipment Trade Enterprise, which is under the supervision of the Ministry of Heavy Industry, according to experience, knows exactly how much and what kind of materials it needs annually and thus it can better manage the arriving materials.

[Question] We have learned that the Ministry's companies developed a dispatching system connected with stockpile management.

## Dispatching Service

[Answer] We took several measures. The following idea was brought up at the ministerial conferences: the distribution between companies of certain current basic materials must be better organized. We will make use of the computer system of the Ministry's Institute of Industrial Management and Plant Organization. In this way we will decrease stockpiles and make the material supply more continuous. The system's organization for a stockpile inventory based on voluntary participation is in the making. This solution is temporary.

[Question] Companies were criticized for increasing non-ruble imports. What is your opinion on this?

[Answer] The Ministry's management organizations demand equipment, castings, tools, spare parts and accessories from domestic factories. The development of manufacture of the above products has been, however, pushed into the background in the past years. I will mention it as an example that in the fifties there was a gear-wheel factory in Budapest which now has other functions. When we need gear-wheels, axles and spare parts, all factories will start drudging and fiddling, with a low degree of efficiency. Or they will resort to importing the necessary accessories from non-ruble markets. There are also instances where the manufacturer produces exclusively for export without meeting the domestic demand.

[Question] We would like to have some data on non-socialist imports.

[Answer] We are buying \$40 million dollars worth of valves annually for the natural gas and oil industries from western companies, although they should be manufactured at home. The importance of exporting and the inadequacy of domestic supply is often brought up, but the solution is not in sight. I ask at this point: may we export at all costs to non-socialist markets? In my opinion, no! We should handle our exports more sensibly because the duties on export products range between 10 and 20 percent, in addition to transportation costs. It has happened that we exported electric motors, and the same were also imported at higher, international prices.

[Question] Heavy industrial enterprises use a significant amount of pipes but domestic supply is inadequate, they must be imported.

[Answer] Twice as many pipes are sold on non-ruble markets as the quantity bought from western concerns. It is a strange situation, isn't it, but we must not only reflect but also take measures.

## What Is Efficiency?

[Question] Several people mentioned the requirement of efficiency during the two-day parliamentary session. To what degree has this been realized in heavy industrial enterprises?

[Answer] I would include in the concept of efficiency the productivity of live work, the utilization of capital goods, the up-to-dateness of the products, and the requirements in their competitiveness and quality. We have achieved results but we still have ample resources. Hungarian pharmaceutical industry is well recognized outside our borders, being considered on a par with international standards. Still, not enough finished pharmaceutical products are sold on non-ruble markets.

[Question] What is the reason for this?

[Answer] It is my contention that there is not enough propaganda in the medical profession. It would be necessary for the medicine factories to involve more than before their specialists in market research and selling, and in building the foreign supply network.

[Question] Is the heavy industry branch capable of doing more?

[Answer] By all means. Our activity is directed toward this goal, and I am confident that our resolutions will materialize. It depends on the joint effort of both leaders and subordinates. Last year has also proved this, for the chemical branch has increased its production by 10 percent through a conscious decrease of staff, concluded the conversation Dr. Adam Juhasz, State Secretary.

9414

CSO: 2500

WANING ENTHUSIASM FOR NEW HOUSING PROGRAM

Warsaw MATERIALY BUDOWLANE in Polish No 5, May 79 pp 12-13

[Article by Tadeusz Bienias]

[Text] On 22 March of this year a conference organized by the Scientific-Technical Committee of the Chief Technical Organization, Housing Division, together with the Polish Union of Construction Engineers and Technicians took place in NOT headquarters in Warsaw concerning the conditions of realizing housing construction program between 1981-1985.

About 300 participants took part in this conference, representing the academic community, Scientific and Technical Association of the Chief Technical Organization, Association of Architects of the Polish Republic, Society of Polish City Planners, the construction and building materials industries, housing cooperatives, and the local economy.

The following official representatives appeared at the sessions: Kazimierz Secomski, vice president of the Council of Ministers; Witold Dabrowski, deputy director of the heavy industry, transport and building department of the PZPR Central Committee; Ryszard Jasinski, vice minister of construction and the construction materials industry; Czeslaw Kotela, vice minister of administration, local economy and environmental protection; Jan Kaczmarek, scientific secretary of the Polish Academy of Sciences; Stanislaw Wozniak, vice president of the main administration of the housing construction cooperative; Leslaw Wasilewski, secretary general of the Chief Technical Organization [CTO].

The main address was delivered by Adolf Ciborowski, head of the housing division committee. About 20 participants spoke in the discussion. A commission under the leadership of Krzysztof Lachert worked up and presented the resolutions.

Housing construction continually finds itself at the center of interest among both professional circles and public opinion. The neglect of the 1960s, when housing investments were meager (4.5 dwellings per 1,000 people), had to be



quickly overcome in the 1970s. Obvious progress was achieved at the cost of major financial and material outlays. The program of housing construction was increased annually. The plan for 1979 calls for having ready for use 337,000 dwellings, about 12 percent more than the previous year. We are already building 9.5 dwellings per 1,000 citizens of the PRL, thus bringing us close to the leading European indicators.

But despite these undoubtedly significant achievements, the housing problem in Poland remains difficult. According to updated figures, about 3 million families are still waiting for either separate dwellings or a change of sub-standard dwellings for ones meeting contemporary standards. Moreover, each year newly married couples arrive, thereby increasing the number of those waiting for their own housing.

The development of construction thus far, while positive, is not yet in a state to meet the growing and ongoing needs of society. For here is the actual, basic problem: How to mobilize the means, how to use them rationally, how to take advantage of reserves to once and for all solve the housing problem in the 1980s--in keeping with the decisions of political and state authorities.

The goal is obvious: it is vital to build more dwellings. The tempo of annual growth must be significantly greater than hitherto. Simultaneously, it is necessary to decidedly improve the quality of the constructed dwellings and--obviously, to the extent of economic possibility--their spatial standard and accessories.

Thus, these are enormous tasks, their implementation encountering various obstacles and impediments, which, if not overcome in time, could threaten the realization of the envisioned program of housing construction.

Therefore, a praiseworthy initiative was seized by the CTO Division of Housing and the Polish Union of Construction Engineers and Technicians to organize a scientific-technical conference on the subject of the conditions for further development of this construction. In the course of preparing for the conference, its organizers conducted a survey among economic, academic, professional and social activists, on the theme "How to deal with the current difficulties and limitations in constructing at least 2,100,000 high-quality dwellings in the next 5 years."

The survey results were presented to the conference participants as a topic for discussion. These topics, Prof Ciborowski's speech, along with the discussion and the concluding resolutions, were the combined output of this mini legislature of the activists among the construction industry.

A detailed discussion of the theme of the March conference lies beyond the framework of our journal. In the midst of main items of interest it is clear that we can find the problems involving materials for housing construction.

In his address, Prof Ciborowski stressed that the construction industry already has at its disposal an awesome prefabrication potential, which it should better utilize. It is estimated that housing factories achieve about 90 percent of their projected capacity. According to information from the Ministry of Construction and Construction Materials Industry, the factories best utilizing this are the OW-T (133 percent) and WUF-T (113 percent). But factories such as W-70 (82 percent) and WK-70 (66 percent) attained the least favorable indicators.

Prof Tomasz Kluz challenged this estimate in his presentation. He said that teams from the Institute of Technology and Organization of Construction Production of Warsaw Polytechnic monitored the activity of 70 housing factories, and concluded that their average efficiency barely attained 55 percent. Among the chief reasons for such a low utilization of potential by the housing factories, Prof Kluz listed:

- failure to recognize organizational problems: even projects for production organization were not worked out for the factories
- inadequate qualifications of the workers and consequently the failure to observe technological plans
- improper use of productive systems, hence frequent tieups and accidents
- improper economic renovation
- lack of cooperation among housing factories working in the same region.

Characteristically material shortages decrease housing factory efficiency by barely 1 percent. However, this is the main argument of the factory directors to justify the uneven implementation of production plans and low efficiency.

The results of the evaluation by the experts from Warsaw Polytechnic were conveyed to the leadership of the construction ministry.

The speeches of Prof Ciborowski and Prof Kluz indicate that the difference between the estimate of the real utilization of productive capability is quite large.

At the conference, Prof Kluz stated that the attainment of 85 percent of projected housing factory production capability would be recognized as a major achievement. But the current level of factory efficiency testifies, on the one hand, to the failure of mastering production technology and, on the other, to the huge available reserves. They equal the combined projected capacity of 40 housing factories, the construction of which would require a commitment of about 50 billion zloty in investment outlays.

Therefore, the postulate of not building new housing factories, but instead to increase the capacity utilization of the existing ones is the most correct one possible.

For years, housing factories have been the object of discussion and controversy in the technical milieu. Many professionals have come out against building too many factories, seeing in this activity the danger of introducing a technological monoculture in construction.

The vice president of the Council of Ministers, Prof Kazimierz Secomski, in his speech at the conference, appealed: "Let us stop hating and suppressing the factories."

Already 130 factories exist and in the not-too-distant future there will be several score more of them. The key issue is how to utilize them as fully as possible, compatible with projected assumptions.

The material problem of housing construction was brought up by many participants at the conference. The most complete review of the actual situation in supplying building materials, as well as of the emerging perspectives, was presented by Mgr Inz. Jerzy Malowaniec, member of the Presidium of the Chief Administration of the Association of Construction Engineers and Technicians, and director of the National Center for Coordination of the Development of Materials and Goods for Construction.

"The difficulties and tensions which accompany the implementation of the current 5-year housing program result chiefly from incomplete material guarantees and the lack of secured territories. Their resolution and swift removal is a basic condition for fulfilling the program in the years 1981-1985," proclaimed Director Malowaniec.

An appraisal of the production possibilities for building materials in the years 1978-1980 reveals that, despite considerable investment outlays, conditions still do not exist which are proportional to the tasks of developing a creative basis for construction in two main groupings: installation and finishing. We still cannot achieve the complex assurance of a supply of essential materials for construction. Serious supply tensions will still surface.

According to the estimate of the National Center, to completely meet the material needs of housing construction in 1979, the following shortages will have to be resolved: 10 million square meters of flooring material, 70,000 tons of paint and varnish, 300,000 meters of six-level styrofoam panels, 200,000 tons of metal wool, 15 million square meters of window glass. There will also be inadequate supplies of service and sanitation items (69 percent central heating units, 90 percent home electrical fixtures, 69 percent cast-iron pipes for water-sewerage installations, 38 percent synthetic pipes materials, and 75 percent bathroom sinks.

The principal cause of this disquieting phenomenon is the limitation of investment outlays by several ministries for developing production of goods for construction, as well as raw material limitations, particularly those derived from chemicals.

A second basic cause is the lack developing a unified material base. This produces gaps in supply and consequently the inefficient use of several goods produced at a cost of major investment outlays.

An example might be the heating panels produced in the "Silesia" steel mill. In the process of stepping up the production of steel heating units in 1976, the simultaneous production of the set of systems designed for adapting the heaters to the new objects was not stepped up. This refers to the heat exchangers, circulation pumps, valves, air-vent pipes and prepumping plate sets.

The installation of heating panels without a supply of indispensable systems caused known economic effects: the need to exchange heaters as a result of progressive corrosion, and--as a result--their limited usefulness.

A second example of the lack of unified action might be the complete restriction of having to use a single pipeline vertical heating system because of a two-pronged heating valves shortage. Requirements for this valve are estimated to be a million pieces in 1985, while the current annual production totals 5,000 items.

The lack of heating valves has made impossible technical advancement in installation of central heating with a resultant lowering of costs (about 9-10 percent in relation to the installation of dual-pipe heating) and labor reduction of about 15 percent.

It is hard to term this type of activity as planned or efficient. It is evidence of the lack of responsibility among the directing cadres of several sectors or production plants. As is frequently clear, interested parties cover up the overall economic needs and the effects of harmful decisions.

In his speech, Prof Ciborowski strongly accented the need to disseminate in the construction industry the principles of good work and professional ethics among the technical cadre. Essentially, there is still very much to be done to improve the proper character of a construction engineer. Maybe it is even possible to risk the statement that there has been a certain depreciation of the professional and social status of the technical cadre. However--let us speak sincerely--this is among other things the result of limited possibilities open for these cadres.

After all, the technical cadre in construction and industry recognizes the need to step up production of those systems. But if--in the face of sound technical judgment--such production is not adopted, this occurs as a result of shortsighted administrative decisions, having nothing in common with either a planned economy or efficient economic management.



Wherever, therefore, the leadership of enterprises, sectors and ministries will not be made consistently accountable for carrying out the binding decisions made by higher state organs--there, housing construction will be plagued with shortages and poor quality materials and with irregular and incomplete shipments.

Many conference participants in the discussion mentioned the lack of materials and the resultant effects for the quantitative and qualitative development of housing construction. The thesis of a unified housing program was stressed. After all, this concerns not only the building of dwellings, but also indispensable service items. In this area the neglect is especially great. It is estimated, that to overcome existing delays in construction services, quantity should rise by 80 percent before 1980. It is clear that this would demand additional amounts of materials.

Despite the unanimous declarations of program and policy, single family housing construction is not developing adequately, proclaim the postconference resolutions. There are many conditions needed to further develop the "second front"--beginning with preparing building sites, assuring credits, and streamlining administrative actions to stimulating the development of the building trades.

But the primary condition is to increase material supplies for the needs of this construction. At the conference, the postulate known for many years of developing local production was repeated. Obviously, we must search for all available sources to increase the amount of materials. But to step up local production, proper equipment and several raw materials (e.g., cement) are needed plus indispensable financial outlays, plus a sensible tax policy (with regard to skilled artisans and private production), plus a genuine economic policy (e.g., not liquidating the small brickworks, but, conversely, using their potential by putting them at the disposal of those who want to and could accomplish something).

Another major problem is the loss of dwellings caused by physical and moral wastefulness. It is estimated that about 2.3 million dwellings will be lost for this reason prior to 1990. The housing situation forces us to undertake a total program of modernizing old buildings. This concerns not only the preservation of existing structures, but also an improvement of housing conditions, primarily equipping them with water-sewerage installations and central heating.

In the years 1976-1980, the modernization of 220,000 dwellings was planned. In the first 3 years, scarcely 40,000 dwellings were modernized. In the opinion of Prof Ciborowski, in the next 5-year plan it is essential to modernize 600,000 dwellings. This is indispensable to protect the old homes against ruin and devastation.

Renovation of dwellings requires considerable amounts of materials, chiefly services and finishing materials, the one in shortest supply.



Hence, in summing up all the requirements of construction--communal, single-family, renovation and modernization--we arrive at a full balance sheet of the materials which will have to be produced and supplied to the marketplace or building sites in the years 1981-1985.

Thus far, the development tempo of materials production is not sufficient to implement the programmed complex of housing construction within the next 5-year plan--thus ran the estimate agreed upon by the participants of the March conference. The clearly perceptible rebuilding of the creative basis of the housing industry is indispensable.

In the opinion of Prof Lempickiego (Gdansk Politechnic), we will not resolve favorably the difficult housing problem without achieving changes in the economic structure. Many professionals feel that we allocate insufficient financial means (4.5-5 percent of national income) and hence arise the difficulties in fulfilling the plans, because many sectors and producers of materials, and also others involved in the investment process (e.g., transportation) have not been invested in.

This also concerns the full, accurate balancing of investment tasks with means to implement them. The planning process is not the best, and causes too many tensions.

The marking of unfulfilled tasks and taking up their implementation by part of the leadership and technical cadre does not take care of the matter, but contributes to the warping of attitudes of both people and groups.

Thus ran the numerous opinions voiced at the conference.

In the thinking of its organizers, the conference on the conditions of development of the housing construction industry was supposed to be the successive phase of a discussion in the scientific-technical milieu. The goal was all the more understandable since we are approaching the 8th Party Congress, where the housing problem will be on the agenda. Thus, the desire to unify professional views and to present the political and economic authorities with a clearly formulated program for the further action is understandable.

The March conference undoubtedly supplied much material for preparing such a program. The discussion was lively and broad. Not all who wanted to could take part in the discussion due to time limitations on the meeting. This testifies to the great commitment and social activeness of the conference participants. But...scarcely 30 persons were present at its end--ten times less than during the opening session. Even the representatives of the leadership of the most concerned ministries did not take part in the entire discussion. Does one have to explain the low interest among the state administration or the views of the technical community?

The fact is that after the official guests left the meeting hall, a rapid exodus of the remaining participants began. The discipline at the meeting was similar to the labor discipline at more than one building site.

But--I repeat--the discussion was interesting. Different views on the direction of the further development of construction, on the selection of technical means, on the organizational solutions. There was no lack of open controversies, which should be recognized as a positive phenomenon. In a word, that was a genuine discussion.

In a meritorious sense, did the conference introduce new elements? Did the theses, and then the resolutions, expand or deepen the views of the scientific-technical community as they had been presented to date?

According to Prof Lempicki, about 90 percent of the resolutions of the March conference have been timely for at least 20 years and have been proclaimed more than once.

It is possible to agree with this feeling. Basically, for a considerable time postulates have been proclaimed, such as, in the matters of fully balancing investment tasks to processing potential, of developing the territories, of construction tasks outdistancing the development of building materials production, of introducing different technologies, of creating reserves, of simultaneously implementing service objectives, of diversifying architectural-urban planning solutions, etc.

The resolutions of the March conference are in essence a repetition of those proclaimed earlier. But one should not consider this type of meeting a waste of time. For it is vital to discuss and repeat old and well-known truths, until the reasons which made such conferences as that of 22 March in the CTO headquarters indispensable have disappeared.

9175

CSO: 2600

## BRIEFS

SZCZECIN AREA WATER SHORTAGE--During a joint session of the presidiums of the voivodship committees of the National Unity Front and Voivodship Council of Trade Unions, an appeal to the people of Western Pomerania for all to participate in the management of water resources in the voivodship was approved. The appeal included the following: Szczecin Voivodship is famous for its water, but it has areas in which there is a shortage of water. The rapid rate of economic development is causing a considerable and constantly increasing requirement for water and a worsening of its quality through progressive industrial and agricultural pollution. The effects of the floods at the confluence of the Odra, Ina and Rega Rivers and the dry spells are severe. Weather conditions in recent years have not diminished these unfavorable effects. Therefore, efficient management of water resources is required for fulfilling the water requirements of the people at the present time and in the future. [Excerpt] [Szczecin KURIER SZCZECINSKI in Polish 7-8 Jul 79 pp 1, 2]

CSO: 2600

## ROLE OF NEW AGROINDUSTRIAL COUNCILS DEFINED

Bucharest REVISTA ECONOMICA in Romanian No 11, 16 Mar 79 pp 8-9

[Article by Prof Dr Sabin Nica-Sirbesti, Ion Manea, expert instr.]

[Text] The rapid increase in agricultural output is one of the outstanding successes of our expanding socialist agriculture, which highlights the qualitative facet of the process of modernization and intensive farming which now characterizes this basic economic branch. In the first 3 years of this five-year plan, the quantitative accumulations in the area of agriculture's technical-material basis have resulted in the achievement of a significant qualitative leap, in terms of production and its efficiency. Romania's grain output -- taken as a reference for exemplifying the degree of intensive farming and the progress made in our agriculture and in this branch in other countries -- in these 3 years rose, as an annual average, by 4 million tons versus the annual average obtained under the prior five-year plan.

The measures taken by the plenary session of the Central Committee of the Romanian Communist Party, held on 1 February 1979, are of paramount importance for the rapid and more efficient development of agricultural production, for the acceleration of all the activity of building a multilaterally developed socialist society. The Decision of the recent conference with executives from the major branches of material production emphasizes the significance of the measures, methods, and specific avenues outlined by the party for boosting farm output in the new context of developing the activity in this branch. It points out that "the new organizational framework created as a result of the measures adopted by the recent plenary session of the CC of the RCP provides broad prospects for efficiently utilizing the material basis and work force, for obtaining the outputs of grain, industrial crops, vegetables and fruit, and of the cattle herds and animal products."

The organization of agriculture on socialist bases has entailed profound changes in the areas of productive forces and production relations. The continuous upgrading of the agricultural management

and planning system constantly accompanied the rapid expansion and modernization of agriculture's technical-material base. Its chief components: the fleet of tractors and agricultural machines, fertilizers and the other chemical substances, land improvement projects, modernization of vineyard and orchard plantations, expansion of zootechnological production facilities, use of scientific advances in farm production, accumulated in state and cooperative agriculture during 3 decades, requiring the renewing steps which have been constantly taken by the party and state leadership in the area of organizing agricultural production in conformance with the specific conditions and needs of each stage of development and in accordance with the overall laws of development and social progress.

Surveyed from this standpoint the Decision of the recent plenary session of the CC of the RCP on upgrading of the unified management and planning of agriculture, establishment of the unified state and cooperative agroindustrial councils, and boosting of the farm output is an integral part of the program outlined by the 11th Congress and the National Conference of the party for raising the qualitative level of all the socioeconomic activity in this country. In this stage of development of the economy and of the productive forces in agriculture, the essential changes which took place in the production relations, in the standard of knowledge and of living of the peasantry, and in the role of agriculture in the overall economy have made it imperative to adopt the measures contained in the above decision.

In his speech at the recent conference with economic executives, Nicolae Ceausescu amply characterized the conditions which made it necessary to adopt the measures for upgrading agricultural organization and the contents of the new system of organization. He pointed out: "The establishment of the unified agroindustrial councils is an important step forward along the path of organization of our socialist agriculture, ensuring the uniform management of this major economic sector, the better and better utilization, in a superior concept, of the means of production and work force in agriculture, of the creative ability of the cooperativized peasantry, of all working people in rural areas." The new organizational framework for the development of the production process in agriculture will facilitate the better utilization of the existing fixed assets, the better use of investment funds assigned to agriculture. It opens up new prospects to the effort for making fuller use of the great resources to boost agricultural output.

Within the framework of the measures to upgrade the forms of organization and management of agriculture, the creation of the unified agroindustrial council is a central factor. The unified agroindustrial council uniformly handles and resolves the problems



of organization and development of the activity in state and cooperative agricultural units. This will result in doing away with the situation in which the organization and management of the production process were powerfully marked by the form of ownership -- state or cooperative -- in which the boundaries of agricultural units limited the proper resolution of the problems relating to production planning and of those relating to their rational development in time and space.

The division of agriculture into socioeconomic sectors persists in the new form of organization, to the effect specified by the Party Program, which states that these socialist forms of ownership ensure, under good conditions, the continuous progress of agriculture. On the implementation of the decision on the organization of unified agroindustrial councils there is no transfer of ownership. The new organizational form will do away with the dispersal of forces at the level of the basic production units in the territory. Moreover, the role of some units, such as the stations for the mechanization of agriculture, increases considerably. While so far these stations only served the agricultural cooperatives, operating as service units, without participating in obtaining the output also in state agricultural enterprises, in the new concept of organization, the concentration of the fleet of machines and tractors within the framework of the unified mechanization sector enhances the duties and responsibilities of these stations in relation to the sensible utilization of the entire local equipment, in relation to the overall mechanization of all farm operations and in relation to the productions obtained, regardless of the form of ownership.

The rapidly growing agricultural output necessitated abandoning the old system of organization, which did not favor the integration of the basic producing units. The fragmentation and dispersal of the forces and the nonuniform planning and management of agricultural production could not ensure the full use of the possibilities offered by the technical-material base and the socialist relations of production.

Our agriculture -- the agricultural production cooperatives and specifically the state agricultural enterprises -- have achieved significant quantitative accumulations, reflected in a sizable rise in agricultural output, which in 1978 was 3.5 times as high as the output in 1950. If we exemplify the continuous improvement of production conditions in agriculture even only by the expansion of the tractor fleet and the consumption of chemical fertilizer (which increased 10 and 247 times respectively between 1950 and 1978) we note the existence of an extremely great potential in all agriculture. But the assignment of outlays for the various categories of units, with priority in state agricultural enterprises has resulted in the creation of better production conditions

in these units, which not always were used adequately in the production process. The results obtained in boosting farm output somehow reflect the differential effort made to expand and modernize the technical-material base of the state sector and of the co-operative sector during the 3 decades of socialist agriculture.

The evolution of the average per hectare output for corn -- one of basic crops in both agricultural production cooperatives and state agricultural enterprises -- during the period of 27 years may serve as an illustration to demonstrate the correctness and relevance of the measures taken by the party to upgrade agricultural organization, management, and planning. The continuous increase in the average per hectare corn output, in terms of trend and also in terms of absolute levels from one five-year plan to another, in both agricultural sectors is a reality and a paramount qualitative aspect which pinpoint the advantages of our agricultural organization into large socialist units, with a high degree of concentration and specialization of production. However, concomitantly, the trend toward the more rapid increase in the average per hectare output for this crop in state agricultural enterprises (by a factor of 5.5) versus agricultural cooperatives (by a factor of 3.5) explained by the differences which exist between the provision of technical equipment in the two categories of units, in itself represents an incompletely utilized production potential.

The new organizational framework has been assigned the role of agent for the evening up of the development level in all agricultural units, in terms of production conditions and of results. In this respect, in his address to the plenary session held on 1 February 1979, the party secretary general indicated: "In the same zone we must ensure equal conditions of mechanization and chemicalization, identical quality seeds, identical technical assistance and, of course, identical outputs and efficiency."

The establishment of the unified agroindustrial councils provides a superior uniform management and organization of agriculture; the structure, make-up, duties and responsibilities of these new bodies equally involve the two forms of socialist ownership -- state and cooperative. Within the unified council, the multiple links which appear in the area of relations of ownership, exchange of activities, relations of distribution and consumption necessitated by agricultural progress in the current stage of development self-regulate themselves in terms of the coming closer to each other and fuller integration of the agricultural production units in the national economic system. The maintenance of the management and ownership autonomy of state and cooperative units harmoniously combines, within the framework of the unified agroindustrial council, with the principles and requirements of the

new economic-financial mechanism. The new quality with which the unified agroindustrial council has been invested, that of plan coordinator, creates extremely favorable conditions for the operation of self-direction and self-management in the procedures of agricultural units. These principles, correlated with the tasks allotted the unified councils in the area of material incentive, fuller use of the material base and of investment funds, will ensure the rise in farm output and its efficiency, by rationalization of materials expenditures, reduction of operating costs, and increase in net production and profit in all agricultural units.

This central objective -- greater agricultural output and efficiency in agriculture -- is promoted by the current organizational framework and the boundless prospects for expanding industrial activities and services. On the one hand, these activities are supposed to assure the fullest possible superior utilization of agricultural products and of local resources of raw materials and the fuller utilization of the work force, and on the other hand, industrial activities and services are increasingly conceived as activities capable of decisively facilitating higher net output in agriculture.

The propelling role assigned to unified agroindustrial councils as superior forms of organization, management, and planning of agriculture must develop as early as this year. Their prime task is to promptly prove that they are capable of upgrading agricultural activity. The obtaining of the outputs planned under the programs and objectives specified for 1979 and 1980 requires the unified councils and each agricultural unit to take most appropriate steps necessitated by the new organizational framework, which consequently must fully prove its virtues. The radical turn in terms of greater output, outlined as a major task at the 5-6 March 1979 Conference by the party secretary general, the new revolution in agricultural production, and the prospect for boosting farm output not by a few percentages but up to doubling it, requires the input of unified agroindustrial councils as early as this year into backing the cooperative and state units, in raising agricultural production and increasing efficiency in this basic economic branch.

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## TRANSPORT PROBLEMS IN RAILROAD NETWORK PINPOINTED

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[Article by A. R. Georgescu]

[Text] The proper development of the technical-material supply process largely depends on the way in which the activity of transportation, of on-schedule and well-paced conveyance of material resources from producer units to destinations unfolds. During 1978 there were some difficulties in assuring smooth supplies and prompt marketing of the output to domestic or foreign customers because of failure to provide on schedule the railroad or automotive transportation facilities, deficiencies in the activity of harbors, sea and river fleets, shortcomings which were also found partly in the first months of this year. With good reason speakers at the National Conference with executives in industry, construction, transportation, and agriculture pinpointed the need for firmer action to upgrade transportation activity, to strengthen order and discipline, and eliminate crisscross transportation so that this activity which plays a very significant role in the proper development of all economic life may be adequately organized.

#### Longer Loading-Unloading Time, Transport Facilities Kept Idle

A paramount topical issue involves improving railroad transportation. In 1978 the plan provisions in the railroad sector were exceeded 1.2 percent for freight transportation and there was a more than 7 percent increase over the level in 1977. However, there still are many cases of tardiness in the transportation of some goods and the qualitative indices for railroad activity and specifically the freight car utilization index were not attained at the planned level. This situation is specifically caused by the fact that a great number of freight cars are kept idle in the transportation customer units, as a result of longer-than-planned loading-unloading periods. These situations mostly occur at iron and steel combines, where a great number of cars wait



long beyond the normed period for loading or unloading. During the first 2 months of this year, for instance, daily idling on the average, involved more than 520 cars at the Galati Iron and Steel Combine, 260 cars at the Resita Iron and Steel Combine, more than 100 cars at the Hunedoara Iron and Steel Combine, and so on. For all metallurgical units in the same period of time, there were more than 1,500 cars idled.

Similar situations also occurred in major chemical units (at the Borzesti Petrochemical Combine, for example, idling involved more than 200 cars on the average a day), at the thermo-electric power stations under the Ministry of Electric Power (CET Mintia daily idled about 400 cars during last January), in some units under the Ministry of Forestry Economy and Construction Materials (Dej Pulp and Paper Combine daily idled more than 40 cars), and so forth. In the overall economy, idling the January-February 1979 period involved more than 9000 cars on the average a day (see table).

**Evolution of Average Daily Number of Cars Kept Idle in Units Under Some Economic Ministries**

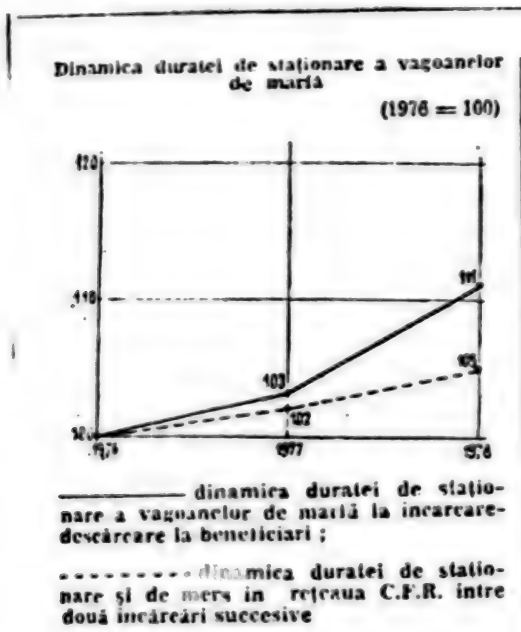
Ministry	<u>Number of Cars/Day</u>		<u>January-February 1979</u>
	<u>1977</u>	<u>1978</u>	
Ministry of the Chemical Industry	810	1060	2500
Ministry of the Metallurgical Industry	770	780	1500
Ministry of Forestry Economy and Construction Materials	480	560	1400
Ministry of Agriculture and Industrialization of Farm Products	230	250	750
Ministry of the Machine Building Industry	130	240	640
Ministry of Electric Power	90	300	420

In other words, for railroad transportation to develop in accordance to the plan, the economy would be required -- in order to make up for this idling time -- to make the extra effort of supplementally turning out and allocate from the national income additional investment funds for 9,000 cars which would take over the volume of traffic related to the fleet kept standing in the industrial units. Economic calculations made vigorously demonstrate that it is far more efficient for the economy to expand and mechanize the loading-unloading areas in major industrial units than unjustifiedly increase the rolling stock fleet. According to estimates stemming from average data, actual outlays for a conventional freight car is 1.5-1.8 higher than actual outlays required



in loading-unloading areas and mechanization facilities to do away with the idling of a car on the average a day. Hence, these are considerations which pinpoint to enterprises the need for promptly proceeding to implementing steps for greater loading and unloading capacity, beginning with provision of manpower in all shifts up to procurement of supplemental mechanization facilities, including self-provision with equipment. Furthermore,

### Dynamics of Freight Car Idling Time



1976 = 100

### Dynamics of freight car idling time for loading and unloading in customer units

----- Dynamics of idling time and running time in Romanian Railroad network between two successive loadings

In accordance with the programs formulated, it is necessary to provide the documentations and incorporate in plan proposals the investment projects which permit a sensible correlation between the volumes of goods which are supplied and, respectively, delivered by the enterprise and the loading-unloading capacity.

### Impact of Slow pace in Promoting Modern Techniques

Another essential matter involves use of modern techniques -- packaging, palletization, and containerization -- which significantly shorten the handling, loading, and unloading periods and appreciably raise labor productivity in the area of freight handling.

A very large volume of products, specifically the exportable ones, are still handled in our ports bag by bag, because of the scant concern of manufacturing units (especially in the chemical industry) with ensuring the implementation of the packaging programs. While the units in the cement industry have obtained a number of good results because they utilized modern and efficient systems for the packaging of bags, in fertilizer factories these concerns are in the incipient stage. This is one of the reasons for which the unloading of freight trains takes too long, exceeds the time set under norms and, consequently, has an adverse effect on car movement. For instance, in unloading the cars with chemical fertilizer delivered in bags the average productivity is 1.4 t/man-hour versus 3.5 t/man-hour which would be obtained were this operation mechanized.

The expansion of palletized freight transportation is also hampered by the way in which pallets are used. The stock of pallets which exists in the economy has now become unsatisfactory because the railroad units do not assure their exchange on the basis of contracts, in their area of activity. Therefore, the pallets run empty over long distances, from customer to the initial supplier, instead of being used by other production units in the area, for shipping other goods, and thus ensure the full-full pallet run.

Outstanding results in terms of reducing the idling time are also obtained by using cars streamlined for bulk conveyance of powdery goods. The measures taken in recent years for cement and fertilizer bulk delivery and for completion of bagging facilities in the Port of Constanta have had a favorable impact on the utilization of the car fleet and on the reduction of operation periods of ships in the harbor. But often irrational use of these facilities results in bottlenecks. The Ministry of the Chemical Industry must take firm action, specifically for the fertilizer bagging facility in the Port of Constanta, for touching upon the planned parameters, by doing away with bottlenecks, especially on the bag loading lines.

In the modern concept of organization of railroad transportation an efficient approach involves organizing specialized shuttle trains for particular optimized transport relations. These transport flows have been used for several years now and have given very good results. However, expansion of the system involves steps to ensure high efficiency and, especially, wisely sized buffer storage in both manufacturing and consumer units. Lack of these facilities causes either a 2-5 day extension in the loading period for a full shuttle (because the cars are loaded as output is turned out, due to lack of capacity for storing the finished products), or failure to unload on schedule the loaded cars, which consequently become storage units on wheels. The non-cost-effective aspect of this type of situation also follows from the fact that

while for storage in freight cars the area unit cost is 8000 lei/sq m, in building a conventional storage unit this cost of actual outlays does not exceed 1500-2000 lei/sq m. That is why, based on careful studies and efficiency calculations, the problem of buffer facilities for mass goods storage must be rationally and promptly resolved, in the first place in the enterprises with a large volume of this type of transport.

Many difficulties are also caused by shortcomings in the local activity of transportation units. In this context we must point out that in recent years there has been a rise in the length of the freight car's running cycle between two successive loadings, the so-called car hauling. This rise mainly resulted from the increase in the period of processing and idling time in railroad switching yards and stations and in the running period of the car, as reflected in the chart. Improving this situation involves:

Acting more firmly in each railroad unit to introduce strict discipline in terms of following the regulations and norms on transportation, the operative plans for making up the trains, and the traffic schedules. Steps should be taken to eliminate the current barriers between railroad units and customer units and to extend the right and duty of executives in railroad units to supervise and take action in the area of loading-unloading activity on internal industrial lines in production units. Hence, it will be possible to step in far more effectively and expeditiously in order to eliminate deficiencies.

Frequently enough, various hierarchical levels issue waivers or establish priorities in regard to the operative transport plans and, ultimately, this causes disruptions in the overall transportation flow. Limiting powers in granting these waivers and the special situations when priorities in transportation may be determined would be an important factor of stricter discipline in this activity.

#### Better Organization Underlies Greater Freight Volume

The commercial speed of freight trains is a specific indicator of transportation efficiency. Recently this indicator worsened: in 1978 it was 98 percent versus the results in 1977. Besides the longer idling time of cars in switching yards and stations, the causes of this situation also included the greater number of traffic restriction hours on railroad main lines, that is interruptions in runs which amount to 4-6 hours a day. Track repairs and modernization projects and electrification programs must be concentrated on an optimally determined front so as not to extend the operations over long periods of time -- sometimes 7-8 years and even longer -- and assure greater fluency of traffic on the major railroad thoroughfares.

Longer idling time in the railroad's own network is also caused by the way in which service to customers at public loading ledges is organized. Presently, for both merchandise which arrived by parcel traffic and for freight in complete cars, customers must provide their own conveyance and handling facilities and personnel in order to pick up their merchandise. Evidently, this produces wasted materialized labor. Furthermore, frequently the automotive facilities of the customer also are rented from the system of the Ministry of Transportation and Telecommunications. It would be useful to survey the necessary approaches and measures to eliminate these deficiencies so that the transportation units may conclude complete service contracts, from supplier to user, with the customer units.

In the system of technical-material supplies there are some deficiencies whose elimination can result in improved transportation activity. Specifically, it is a matter of making up the so-called "joint cars" by some manufacturing units, which load in the same car general merchandise for several customers in the same locality and ship it to the address of one of them. This procedure, which is mainly used in metallurgical units, results in unavoidable extension of the idling time of the cars involved during loading and unloading and in terms of the freight's reaching the customer. The law is clear: in these cases the merchandise is shipped to the county base which is provided with equipment and meant to perform these operations of delivery in small quantities. Metallurgical units, such as those in Cimpia Turzii, the Bucharest Republica and the Roman pipe enterprises, the Iasi metallurgical enterprise, the Braila Rolling Mill and other units must take measures for the observance of legal norms and eliminate the procedure of delivering thousands of tons a month in joint cars.

Finally, a basic problem involves better coordination, at the level of the specialized ministry, of the units within the territory, between various transportation facilities, for the purpose of correlating the various flows of goods for which several kinds of transportation facilities are used, of stepping in for transferring to another type of transportation merchandise whose shipping involves bottlenecks at a particular point.

Certainly there are resources and potentialities for further assuring conditions so that the transportation sector may exemplarily fulfill its important duties in the implementation of the plans for the country's socioeconomic development.

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